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School for extension  
workers.  
Washington, D.C.  
Oct. 15-19, 1935





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A PROPOSED SCHOOL FOR EXTENSION WORKERS

to be conducted in the several States by the

DEPARTMENT OF AGRICULTURE

under the supervision of the

DIRECTORS OF STATE EXTENSION SERVICES

Having discussed the matter with members of the staff of the Extension Service, the Department of Agriculture is prepared to have suggestions from the Directors of the State Extension Services as to the desirability of a School for Extension Workers for the purpose of discussing national agricultural policies.

It is proposed that these Schools be held, in such States as so desire, for five consecutive days, with outstanding men as leaders; discussions would include philosophical attitudes, economic and social problems, and national agricultural policies, on the general subject of

SOCIAL AND PHILOSOPHICAL IMPLICATIONS

OF THE NATIONAL AGRICULTURAL PROGRAM

The Department of Agriculture is willing to assist the various States that express a desire for such Schools, and to cooperate with the staffs of the Land Grant Colleges through the Extension Directors in supplying some outside leaders as part of the faculties for these Schools. Following are some questions and problems which have been suggested for discussion; some may not be acceptable, others may be added. These suggestions are merely tentative and are offered for consideration.



### Agriculture Comes of Age

The problems confronting agriculture today have gone beyond the technical and practical methods of earlier farming. Modern agriculture is intensely concerned with economic considerations, and most farmers and farm leaders recognize the need of carefully studying the broader implications of the national agricultural policies now being formulated. Issues regarding farm debts, foreign debts, monetary stabilization, the tariff, population trends, land use, the distribution of wealth and of the national income, and the marketing of farm commodities, affect the modern farmer as much as do the improvement of farm management practices, the development of farm machinery or crop improvement. And behind these social and economic considerations is the philosophy of a national agricultural program. It is suggested that a week be devoted in each State to a school for extension workers, where these broader, national problems may be considered. These questions, especially where they involve the philosophical and theoretical bases of agricultural policy, cannot be fully discussed or answered in a week, but a start in this direction can probably be made.

### The Present Crisis in Western Civilization

Everywhere people are saying that Western Civilization faces a number of dilemmas -- people are starving in the midst of plenty, unemployment makes it impossible for people to buy what our improved machinery can produce and what it must produce in quantity if it is to achieve its much heralded "low unit costs", we cannot sell our products abroad without canceling foreign debts and lowering our tariff walls, nationalism is becoming so prevalent





and intense as to cut off our export markets for years to come, total farm incomes are greater in years of crop shortages than in times of bumper crops, European democracies are giving way to dictatorships or becoming dictatorial themselves, former social stabilizers -- Church, Family, Authority -- are disintegrating, in many places mass psychology is overrunning intelligence and reason, and governments are being forced, in the interest of the public welfare, to do what individuals have always done for themselves. Is it any wonder that people are asking, What's it all about? What can we do about it?

#### Modern Philosophical Approaches

In times of crisis in the past, men turned to the prophets or the philosophers. What has philosophy to offer today? It may not be able to supply the answers, but philosophy has always undertaken to broaden, to deepen, and to clarify the issues. What has been the trend of human thought, especially during the last third of a century? What attitude of mind can be cultivated so as best to meet the many problems flooding us? How has mankind adjusted itself in the past to a changing environment? What underlies the trend of humanity during the last century? Are we governed more by our emotions than by reason and intelligence? Are we supplied with enough information, statistical, etc., to enable us to make sound judgments or to predict human events in the near future? Can an individual or a social group exercise foresight with any degree of confidence on the basis of such predictions? Are we living in a transition period, and, if so, can we do anything about it? What do we mean by Progress? Can we direct it? If we can control the trends of human events, what happens to the



reliability of prediction and foresight? What makes a nation or a people great, and can we work toward such a goal? Science and social theory have evolved techniques, but they do not throw much light on values; can philosophy clarify the problem of values and indicate the relative importance of social goals? What should be the relation of the individual to his group -- his family, his community, his vocation, his State, his Nation, his World? How can conflicting individual and group interests be integrated into a democratic pattern which contributes to the general welfare?

#### Social-economic Problems

Is man merely an "economic animal"? Has the machine outstripped man's ability to control the effects of industrialism? Now that we appear to have turned from a formerly chronic condition of scarcity to an economy of plenty, why are we in the midst of the greatest depression in history? Does the trouble lie in our distribution systems -- distribution of goods or distribution of income? Are we saving too much, are we too thrifty, and should we spend more for "consumption" goods? What effect did the World War have on the present situation? Can our present debts -- international as well as private -- ever be liquidated? What about the tariff? Is our economic system built too largely on fixed items -- bonded indebtedness and mortgages? Are farm prices like putty in the midst of these rigid elements of economic steel? Can the law of supply and demand be controlled? What is a "fair" interest rate? What is "usury"? Does our net productivity warrant prevailing interest rates? Is nationalism the answer to our world problems? Should America be "self-contained"? Can our democracy stand another war? What becomes of liberty in a controlled economy? Has a man a right to insist on following a vocation





which he desires? Can we have an "economic democracy" similar to our political democracy? Should our political system be adjusted so as to give more discretionary powers to the executive? Has business so outgrown our political boundaries as to warrant a new definition of "interstate commerce"? Should we have more, or less, regulation of business? What of "pressure groups"?

### National Agricultural Policies

How determine a "fair share" of the national income for agriculture? Should we have individualism and laissez faire as the main agricultural policies, or should the Federal Government continue to help farmers to adjust production to economic conditions? Is the allotment committee a democratic agency? What should be done about the inefficient producer or the sub-marginal farmer? Should benefit payments be derived from general taxation and a portion of tariff receipts, or from processing taxes? If the latter, should farmers and processors agree on the amount? What of the interests of the consumer? How adjust competition between agriculture and industry, or among agricultural groups? Is it desirable to encourage increased grass acreage in order to reduce both erosion and over-production of grains and cotton? If so, what are the best methods for doing this? What is the best unit for program planning -- the region, the State, the county? How can scientific research in agriculture be best encouraged? How made available? How can farm life in its broader, social, phases be made more attractive? How can our educational system be adapted to the needs of rural youth? Is it possible, or desirable, to develop a culture in each region or State, comparable with the European cultures of nations, many of which are no larger or wealthier than many of our States?



### Organization

It has been suggested that syllabi for these Schools be prepared by experts in the United States Department of Agriculture in cooperation with experts of the Land Grant Colleges and other institutions of higher learning in the United States. These syllabi could then be worked out further in cooperation with representatives of the Extension Service and the Land Grant College of each State which indicates a desire to have this School.

It is also thought that arrangements could be made for supplementing the faculties of the Land Grant Colleges with outstanding college and university teachers of other institutions in the Department of Philosophy and the Social Sciences.

The responsibility for organizing these Schools will rest with the Director of Extension Service of each State where a School is to be held. The Department of Agriculture will be prepared to cooperate with these Directors in preparing materials and in furnishing outside staff members who may be brought in to the Schools to supplement the staff members selected from the Land Grant Colleges.



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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

DIVISION OF PROGRAM PLANNING

in cooperation with

EXTENSION SERVICE

SCHOOL FOR EXTENSION WORKERS

Washington, D. C., October 15-19, 1935.

General Subject: What is a Desirable National Agricultural Program?

Each day will be given over to the presentation and discussion of an important topic of the general subject. Each morning, the day's topic will be presented, by invited lecturers, from three points of view -- Philosophy, Social and Economic Theory, and Agricultural Policy; all morning meetings will be held in Room 3818, South Building. Each afternoon, small discussion groups will be formed to discuss the topic presented in the morning.

Tuesday, October 15.

Topic: Backgrounds and Development of the Present Situation.

Morning sessions -- Room 3818.

Honorary Chairman, Hon. Henry A. Wallace,  
Secretary of Agriculture.

Presiding Officer, Dr. C. B. Smith,  
Assistant Director of Extension.

- 9:30. What Can Philosophy Contribute to a Better Understanding of the Present Situation?  
A.G.A. Balz, Professor of Philosophy,  
University of Virginia.
- 10:30. General Social and Economic Background of the Present Situation in the United States.  
W. L. Wanlass, Division of Program Planning.
- 11:30. Immediate Backgrounds of Present Agricultural Policies and Programs.  
Louis H. Bean, Economic Adviser,  
Agricultural Adjustment Administration.





1:30. Discussion Groups.

A-1, Philosophy, Room 5911. Leader: Geo. E. Farrell.

A-2, Social and Economic Theory, Room 5719. Leader: R. B. Corbett.

A-3, Agricultural Policy, Room 3818. Leader: Wells A. Sherman.

2:30. Discussion Groups.

B-1, Philosophy, Room 5911. Leader: Geo. E. Farrell.

B-2, Social and Economic Theory, Room 5719. Leader: R. B. Corbett.

B-3, Agricultural Policy, Room 3818. Leader: Wells A. Sherman.

Wednesday, October 16.

Topic: The Place of Government in Modern Society.

Morning Sessions -- Room 3818.

Honorary Presiding Officer, Chester C. Davis, Administrator,  
Agricultural Adjustment Administration  
Presiding Officer, -- Dr. F. F. Elliott, Acting Director,  
Division of Program Planning.

9:30. Individualism, Democracy and Social Control.

Edward L. Schaub, Professor of Philosophy,  
Northwestern University.

10:30. The Relationship of Government to Social and Economic Affairs.

Kimball Young, Professor of Social Psychology,  
University of Wisconsin.

11:30. The Problem of Continuing a Program of Agricultural Adjustment. ✓

Jehn D. Black, Professor of Agricultural Economics,  
Harvard University.

1:30. Discussion Groups.

A-1, Philosophy, Room 5911. Leader: Eric Englund.

A-2, Social and Economic Theory, Room 5719. Leader: Florence Hall.

A-3, Agricultural Policy, Room 3818. Leader: P. V. Cardon.





2:30. Discussion Groups.

B-1, Philosophy. Room 5911. Leader: Eric Englund.

B-2, Social and Economic Theory, Room 5719. Leader: Florence Hall:

B-3, Agricultural Policy, Room 3818. Leader: P. V. Cardon.

Thursday, October 17. 5942

Topic: Nationalism and Internationalism.

Morning sessions -- Room 3818.

Presiding Officer, M. S. Eisenhower,  
Director of Information.

9:30. Unity and Diversity in Society.  
Edward L. Schaub, Professor of Philosophy,  
Northwestern University.

10:30. Political and Economic Problems Involved in Nationalism  
and Internationalism.  
Kimball Young, Professor of Social Psychology,  
University of Wisconsin.

✓ 11:30. A Desirable Foreign Trade Policy for American Agriculture. ✓  
John D. Black, Professor of Agricultural Economics,  
Harvard University.

1:30. Discussion Groups.

A-1, Philosophy, Room 5911. Leader: Philip M. Glick.

A-2, Social and Economic Theory, Room ~~5719~~ 5942, Leader: Madge Reese.

A-3, Agricultural Policy, Room 3818. Leader: F. V. Waugh.

2:30. Discussion Groups.

B-1, Philosophy, Room 5911. Leader: Philip M. Glick.

B-2, Social and Economic Theory, Room 5719. Leader: Madge Reese.

B-3, Agricultural Policy, Room 3818. Leader: F. V. Waugh.



Friday, October 18.

Topic: "Scarcity Economy" and the "Economy of Abundance".

Morning sessions -- Room 3818.

Presiding Officer, Dr. Clyde W. Warburton,  
Director of Extension.

9:30. The Philosophy of History.  
Carl F. Tacusch, Division of Program Planning.

10:30. A Critique of our Present Economy.  
Leverett S. Lyon, Brookings Institution.

✓ 11:30. Production and Price Programs for Agriculture. ✓  
John D. Black, Professor of Agricultural Economics,  
Harvard University.

1:30. Discussion Groups. (B-1, B-2 & B-3 Groups at 2:30).

A-1, Philosophy, Room 5911. Leader: O. C. Stine.

A-2, Social and Economic Theory, Room <sup>5942</sup>~~5719~~. Leader: A. G. Black.

A-3, Agricultural Policy, Room 3818. Leader: D. E. Montgomery.

Saturday, October 19.

Topic: Values, Social and Human.

Morning sessions -- Room 3818.

Presiding Officer, M. L. Wilson,  
Assistant Secretary of Agriculture.

9:30. Human Values.  
Wm. E. Hocking, Professor of Philosophy,  
Harvard University.

10:30. Living Standards in America,  
Wilson Gee, Professor of Rural Economics,  
University of Virginia.

11:30. Improving American Farm Life.  
Mordecai Ezekiel,  
Economic Adviser to the Secretary of Agriculture.



Agricultural Adjustment Administration  
Division of Program Planning  
Washington, D. C.

Schools for Extension Workers

What is a Desirable National Agricultural Program?

First Day -- Backgrounds.

First Hour -- Philosophical Backgrounds.

What can Philosophy Contribute to a Study of the Present Situation? The function of Philosophy has been not so much to answer questions as to raise them, to develop liberal and systematic attitudes of mind, and to discover relationships, meanings and values in life and the universe.

1. The inadequacy of Science, which is largely descriptive.

- a. The Natural Sciences are largely instrumental, their results being available for all kinds of objectives -- automobiles for recreation, business or crime; chemical plants for fertilizers or explosives.
- b. The Social Sciences similarly present alternative techniques, but must become philosophical in order to evaluate objectives --e.g., the processing taxes.

Adam Smith and Alfred Marshall, in economics.

2. The Human Mind and some of its major attempts to understand the universe.

- a. The Greeks were the first Western Europeans to introduce reflection and abstraction into thinking -- geometry, drama, philosophy -- and to supplant superstition with clear, secular explanations of natural phenomena.
- b. The subsequent complexities of social life put an increased strain on the human mind -- especially to comprehend the Roman imperium in imperio in political relations, and later relations between State and Church and among diverse social loyalties; hence, the construction of an other-worldly realm to explain and resolve the difficulties.
- c. The last few centuries have been marked by a dominance of rational interpretations -- beginning with the Renaissance and a revival of pagan classicism, continuing with the Enlightenment and faith in human reason, and leading into the dominance of the Natural Sciences and their rational foundations.





- d. More recently, the human mind has become bewildered and disillusioned -- individual poverty in the midst of general over-production, the breakdown of leadership, and the growing awareness of the importance of the emotions and other uncontrollable elements in the universe, have confused it.

### 3. The Problem Presented by the Present Situation.

- a. The bewilderment arising from the growing complexity of modern life may be the best preparation for facing these problems -- Royce pointed out that this stage of bewilderment and wonder was a most hopeful sign of humility, the best attitude of mind for approaching the larger problems; and Pragmatism holds that such non-habitual periods of thought are the only ones in which we are really thinking.
- b. The Natural Sciences have been forced in the last thirty years completely to recast their concepts -- of space and time, of causation and chance, of free will and determinism -- in the light of experimental evidence and experiences which does not fit in with their former preconceptions.
- c. The Social Sciences have not fared so well: they have developed either as impracticable academic doctrines largely unrelated to action programs, or as doctrinaire programs sponsored by special interests through demagogues and playing on mass psychology.
- d. Agriculture, particularly, has "come of age" in the last generation -- passing from a period first of exploitation and then of technological developments to the need of understanding broader policies and long-time programs, controlled by democratic methods and directed by intelligent leadership -- the Extension Service and the County Agent.





AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers.

What is a Desirable National Agricultural Program?

First Day -- Backgrounds.

Second Hour -- The Broader Social Backgrounds.

The human race has ever been in a state of flux; not only has the natural environment constantly been changing, but migrations have confronted human beings with ever new conditions.

1. Social developments in the past have been marked by periods of comparative stability followed by periods of relatively rapid change.
  - a. The Revolutionary Period, in Europe and America, separated Church and State, introduced a more democratic form of government, and paved the way for a recasting of our scientific and economic ideas.
  - b. The Victorian Era was one of comparative stability for most western nations -- national boundaries were being fixed and empires extended, attention was directed largely to exploitation of natural resources and industrial development, democracy grew in the absence of disturbing social problems, the family developed as the most important sociological unit, and religion had not yet felt the full effects of natural-science doctrines.
  - c. The present period has reverted to change and flux -- the family has become less secure, the Church has lost favor, business and political leadership have failed to measure up to the situation, intellectual authority has lost prestige, while physical conditions and emotional surges have intensified the problems of social control.
2. We are trying to meet these changing conditions with concepts which became incorporated in our basic documents and traditions at a time which was quite different from the present and which has become too remote to serve as a precedent or as an analogy.
  - a. "Natural rights" and the ownership of "private property" developed as reactions to religious dogma and autocratic political government -- they served their purpose at the time by securing individualism, but they are fast becoming institutionalized at the expense of social welfare.



- b. Laissez faire, freedom of enterprise and of competition, arose in England during a period of rapid industrial expansion and with free trade, and in America during a period of rapid exploitation of rich natural resources, but have ceased to play a part in large-scale enterprise and cannot operate in a more stabilized economic society without emphasizing their anti-social characteristics.
  - c. Political safeguards, during the Revolutionary and Constitutional periods, were directed largely against monarchical and legislative tyranny; they have for over a century prevented the operation of a proper budget system and interfered with the development of administrative powers, such as are exercised by governmental commissions.
3. Subsequent to the formation of our political and social ideas, conditions changed so completely and so rapidly as to warrant a corresponding change in our social concepts.
- a. There has been a concentration of wealth and of economic control -- through the growth of the corporation and the holding company, in distribution as well as in production, the development of inventions and machines, and of credit facilities -- such as to produce an economic system far different from that in which laissez-faire doctrines originated.
  - b. Regional conflicts, within the nation as well as international, and competition among industries rather than among individuals, have brought about tensions among groups, leading to pressure groups impinging on government; in the meantime, the American frontier has ceased to exist, and world trade has become subject to nationalistic control.
  - c. Social concepts have lagged far behind these physical and economic developments -- we still talk of "rugged individualism", loyalties have actually shifted from primary social groups, like the family, to secondary social groups, like the corporation, the trade union, farm organizations, etc., and controls are being exercised on groups by government and vice versa, and by certain groups over each other.





AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

First Day -- Backgrounds.

Third Period -- Immediate Background of Present Agricultural Policies and Programs.

The rapid westward expansion of American agriculture developed a volume of production far beyond domestic requirements, thus making agriculture more dependent on foreign markets than any other major industry. Foreign countries, through loans, helped us to build our railroads and otherwise finance this westward expansion. Prior to the World War we were paying back these loans through the increased production which this expansion made possible. The War completely changed this situation, first by still further stimulating and expanding production, and then by reversing our position from that of a debtor nation to that of a creditor nation. This condition, with the rapid post-war resumption of food production in European countries, the continued expansion of acreage in newer countries, a world-wide nationalism that presented innumerable barriers to foreign trade and the huge burden of debt resting on the farms of this country all combined to put American agriculture into a position that was entirely unprecedented.

1. The expansion of agriculture in the United States, after the Civil War was characterized by a liberal land policy and by generous aid, public and private, to railroads and other means of transportation.
  - a. Production of farm products increased much more rapidly than domestic requirements for such products, making increasing surpluses available for export.
  - b. Although there were wide variations from year to year incident to fluctuations in world production and general business conditions, the long-range effects of this relationship of American agriculture to the rest of the world were fortunate.
  - c. The debtor position of this country requiring payments of interest and principal and other invisible items of foreign trade (tourist expenditures, transportation charges, insurance premiums, etc.) made it possible to have a continuing "favorable" balance of trade in commodities.



- d. For several years prior to the World War, mounting exportable surpluses in several newer countries were competing with American farm products in the markets of the world.
2. One important result of the World War was the sudden and fundamental change in the economic or commercial relationship of this country to other countries.
    - a. The extraordinary demands for farm products and other raw materials greatly stimulated production in this and other countries where military operations did not interfere with production.
    - b. After the War there was an active demand for American farm products, especially from those countries in which food supplies were exhausted and the means of producing them had been partially destroyed.
3. The year 1925 marked a turning point in the post-war situation.
    - a. In 1925 European wheat production (excluding Russia) exceeded the average of the five years preceding the War; Russia has been increasing her wheat production greatly during the last few years.
    - b. This year marked the re-enactment of the former high tariffs on foodstuffs by Germany; soon thereafter England reversed her century-old tariff policy.
    - c. In 1925 Italy reimposed its duty on wheat and started the "battle of grain" with the declaration of minimizing Italy's dependence on foreign food supplies; France also has increased her import restrictions.
    - d. This year marked the beginning of one of the greatest nationalistic movements of all time. The Hawley-Smoot Tariff Act of 1930, rigid quota systems in many countries, governmental regulation of foreign exchange, depreciation of currencies, and the spread of Fascism are all phases of this movement which has largely destroyed international commerce.





4. Farm prices and farm prosperity, between 1925 and 1930, did not keep pace with those of other major industries.
  - a. The apparent inability of American farmers to reduce production collectively in the face of declining prices is in striking contrast to the situation in certain other industries.
  - b. The relative inelasticity in the demand for staple farm products further accentuates price declines when supplies are excessive.
  - c. Farm producers, faced with overhead costs and fixed charges, often try to offset declining prices by increasing production, with the result of increasing surplus stocks.
  - d. Reduction in car-loadings, declining volume of goods moving through marketing channels and reduced farm purchasing power after 1929 further increased unemployment and thus further curtailed demand.
5. The unprecedented volume of farm indebtedness, reflecting in large measure the high prices of farm products during the war period, complicated the situation both for farmers and for holders of securities based on farm values.
  - a. By 1932 the total mortgage debt had reached a total of \$8,500,000,000.
  - b. Farm mortgages and bonds based on mortgages had become an important element in the portfolios of banks, insurance companies and other institutions. The subsequent bank and commercial failures reflected this condition.
6. In considering Agricultural Adjustment, we note that this has not been achieved in any of the following three senses, although it has been more closely approximated in the physical-efficiency sense than in the conservation or price-and-income sense.
  - a. Maximum efficiency of production -- use of best varieties and strains, best techniques and feeding practices, etc., as well as best geographic distribution and combination of enterprises.



- b. Conservation of soil or preservation of the productive capacity of our physical plant -- farm practices which maintain fertility, control erosion, etc.
- c. Price and income -- implies a social organization which will enable farmers to obtain prices for their products which will give them an income commensurate with their contribution to the national welfare.



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Second Day -- Democracy and Social Control.

First Hour -- Philosophy.

Can we have a controlled society without destroying or seriously impairing the value of individualism and democracy? In any case, a desirable amount of the latter should be conserved in the development of a necessary system of social control.

1. The individual has come to be recognized as the basic and valuable unit in a democratic society.
  - a. The Christian doctrine not only emphasized the equality of human souls, as units, but also asserted the rights of the weak -- the young, the aged, the poor -- to social consideration; and first declared for the dignity of the human personality.
  - b. The forerunners of the French and American Revolutions were much concerned with the "rights of man" -- personal, not property; Rousseau plead for this doctrine in his Social Contract, and Kant emphasized it in his statement that men should be treated as ends and not as means.
  - c. Jefferson looked upon America as a great opportunity for perpetuating a democracy which he felt was impossible in Europe; he took issue with Hamilton by emphasizing agrarian democracy rather than financial and industrial centralization.
2. During the last hundred years the individual has been socialized, not so much through the development of doctrines and ideas as through underlying social changes.
  - a. The corporation has become the outstanding social-economic unit; as a legal "person" it has integrated the relations and loyalties of thousands of human beings into a single social group with a unified purpose.
  - b. The trade and professional association is not so highly integrated, but has identified the vocational interests of widely scattered people and pro-





vides the most effective means for securing their social objectives.

- c. The above forms of social-economic organization resemble the Mediaeval guild -- which was organized on a basis of common-economic interest and provided for a rigorous apprentice period and exclusive membership, close control of prices and quality of goods, and the conservation of established trade channels; the guild system broke up under the combined weight of internal rigidities and the impact of political nationalism and private capitalism.
- d. Agricultural groups have had a long history in America, beginning with the nation-wide Grange movements and continuing down to the present organization of regional commodity groups with bloc relationships; at present, the individual farmer has his greatest difficulty in reconciling conflicting regional or national commodity interests with his own individual problem of diversified production subject to principles of sound farm management.
- e. The socialized individual resolves himself to a social pattern made up of his loyalties to the various social groups to which he belongs; his major social problem becomes a complicated repetition of Socrates' dilemma.

3. Hence, the dilemma of disseminating information in a democracy, and the paradox of knowledge.

- a. Democracy requires a universal system of education and a maximum distribution of information; as opposed to the aristocratic notion that "Mother knows best" and that only a few can be entrusted with the truth.
- b. But the wider dissemination of information -- e. g., of government statistics regarding crop conditions and stocks on hand -- increases the possibility of mass reactions which may lead to over-production or to shortages; whereas, before, the exercise of individual judgments based on inadequate information created a situation similar to the operation of chance, with opposing judgments cancelling each other and reducing extreme results.
- c. Prediction and the exercise of foresight operate best where human control is at a minimum, as is shown by the success of astronomical science; the possibility of the introduction of control elements vitiates prediction and neutralizes foresight, at the same time that the wide dissemination of information makes necessary some intelligent form of social control.



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers.

What is a Desirable National Agricultural Program?

Second Day - Democracy and Social Control.

Second Hour - The Relation of Government to Social and Economic Affairs.

It is generally recognized in America that "that government is best which governs least", and that self-regulation is a desirable social principle; but conditions arise in which a powerful and effective social agency like government, representative of all the people, seems to be the only or the best recourse for resolving social problems. How can a desirable balance be struck between this apparent necessity and the ideals of democracy and individualism?

1. The fundamental theory of laissez-faire is that governmental interference with individual behavior should be kept at a minimum and that social objectives should be the resultants of individual activities.
  - a. The doctrine was explicitly formulated by the "Manchester (England) School" of economists early in the 19th Century, shortly after the beginning of the Industrial Revolution, and insisted on "free trade" and non-interference with factory management and commercial intercourse.
  - b. It assumed that everyone knew what his best interests were and that the sum total of the unobstructed pursuits of individual interests constituted the maximum general welfare obtainable; it also assumed that the more successful would not have available any artificial aid from government; in England it meant specifically the wresting of control by industrialists and merchants from farmers and landholders, and the reduction of living, raw-materials, and wage costs.
  - c. In America, the laissez-faire doctrine was qualified at the outset by our protective-tariff policy, which attempted to safeguard for industrialists and merchants the prices which they alleged were necessary to pay prevailing wage rates; these rates were relatively high because disaffected laborers had the alternative of settling on western farms, and living standards were relatively high.





2. Government has exercised increasing control over business and industry, especially since the 1880's.
  - a. The Interstate Commerce Act of 1887 was passed after being urged by farmers who complained of unfair transportation rates of what were in fact economic service monopolies.
  - b. Monopoly and other restraints of competition were prohibited by the Sherman Act of 1890; the ordinary common-law deterrents operating in England -- together with free trade and unwillingness of business men to engage in trade agreements -- not being effective in America.
  - c. Patents and copyrights, intended to stimulate invention and authorship, have frequently been bought by corporations and used to intensify monopoly control, especially where machines are leased or used in series.
  - d. Government control has been invoked -- in the case of the Clayton and Federal Trade Commission Acts -- to prevent various forms of "unfair" business competition.
3. Conflicts of interests have arisen in each case of the extension of government control over business and industry.
  - a. Private property rights have been "invaded" -- i. e. earnings have been decreased -- by governmental regulations, such as removing odorous slaughter houses from city precincts, providing for safety appliances on railroads or in factories or mines, reducing hours of labor, requiring payment of wages in currency, etc.; the same regulations also were alleged to interfere with the "freedom of contract" of laborers.
  - b. Increasing governmental regulations have emphasized the activities of the executive department of government, both as regards inquisitorial and enforcement agencies; and have emphasized the function of the judiciary as a safeguard of the individual against majority opinions registered in legislation. Furthermore, regulation has been largely that of the Federal Government, which has been encroaching on the residual "police power" of the States.



4. There are certain fundamental difficulties confronting a controlled society, which may be regarded as almost inevitable accompaniments.
  - a. Problems of administrative personnel arise by virtue of the fact that any social plan, no matter how well conceived, amounts practically to the manner in which it is put into execution -- "Beauty is as beauty does".
  - b. Any plan of social control interferes, not only directly but also indirectly and remotely, with the operation of the laws of chance, the "balance of nature", and the exercise of independent judgments.
  - c. Uncontrollable factors, especially the weather, may intrude to negate well-laid plans or to accentuate their intended effects.



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Second Day -- Democracy and Social Control.

Third Period -- The Problem of Continuing a Governmental Program of Agricultural Adjustment.

The original program of agricultural adjustment was formulated to meet a crisis or emergency in agriculture and in general business. It is now proposed to continue the program with modifications to meet changing conditions, as a definite or permanent policy. This proposal raises a number of important questions. Can the same arguments that were used as a basis for inaugurating agricultural adjustment be used to support the continuance of such a program? Should farmers as a class or agriculture as an industry be singled out for special governmental aid? Does the fact that certain other industries receive protection and indirect subsidies through tariffs justify this newer form of aid to agriculture which receives comparatively little protection from tariffs on imports? Will consumers, through processing taxes or otherwise, be willing to pay higher prices for food and clothing to insure a higher return to farm producers?

1. Unless agriculture is reasonably prosperous other industries in the United States are certain to be adversely affected.
  - a. Farmers and others immediately dependent on farming constitute a very important body of potential consumers. Only as the total income of this group exceeds their operating and capital costs does it have a surplus for the purchase of goods produced by other industries.
  - b. The amortization of farm debt cannot continue unless farm income is sufficient to provide a surplus above current expenses; the far-reaching effects of this situation on banks, insurance companies, etc., are obvious.
2. Why are we out of adjustment? Why have we failed to achieve a desired balance under a regime of free and unrestricted competition in agriculture?





- a. While regional specialization has meant increased inefficiency in production from the long-time point of view, our ignorance regarding these advantages and our extreme laissez-faire policy toward land acquisition and settlement have resulted in exploitation, over-expansion and unwise settlements during particular periods.
- b. Although competition encourages increased efficiency, it also encourages increased production--and decreasing costs may not be as great as decreasing income resulting from lower prices.
- c. Competitive pressure not only forces new land into use, but also old land into more intensive use; the short-time interest of the farmer under free competition comes into conflict with conservation principles by encouraging exploitation and erosion.
- d. Free competition in agriculture cuts costs but at the same time may cut prices more, and may result in lower returns and maladjustments, especially in view of the inelasticity of supply and demand of farm products.



~~Confidential~~  
UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION  
WASHINGTON, D. C.

FUNDAMENTALS OF A DESIRABLE NATIONAL AGRICULTURAL PROGRAM

1. Conservation of soil fertility and productivity is necessary in order to safeguard for the future an ample supply of foods and fibres for domestic needs; unrestricted production, determined largely by individuals, results in a condition whereby our land is eroding and being depleted at an alarming rate.
  - a. The desirability of withdrawing eroding areas from cultivation, by purchase or otherwise, and of planting such areas to grass or trees.
  - b. Limiting the number of grazing animals, especially in the western states, so as to maintain an optimum supply of natural grasses.
  - c. Conversion of steeper-slope areas throughout the country from erosion-encouraging crops, like cotton and corn, to pasture and hay crops and fallow grassland.
  - d. Increasing the ratio of legume, grass and other soil-building crops to soil-depletion crops, like wheat, in crop rotation.
2. Accommodating farm-production acreage to market demands, observing the principle of an "ever-normal granary".
  - a. Recognizing the abrupt decline in exports of farm products.

40 million new acres were cultivated, largely for producing wheat, during the War and post-war period to supply an exaggerated demand.
  - b. Reducing crop acreage in commodities having a large carry-over, whether as a result of declining export demand or otherwise.

Cotton could be reduced from 42 million acres to 37.
  - c. Recognizing technological innovations.

Replacing of horses and mules by autos and tractors has reduced the needed crop acreage by 35 million.





- d. Integrating this objective with better farm management -- emphasizing hay and pasture, in crop rotation, rather than grains.

Actual acreage under cultivation -- 397 millions.

Possible acreage with adjustments -- 376 millions.

Adjustment of corn, wheat and cotton acreage  
from 200 millions to 172 millions.

Adjustment of hay and pasture from 130 millions  
to 155 millions.

- 3. Ensuring the supplying of adequate food for the dietary needs of domestic consumers -- this required 287 million acres in 1925-1929.

- a. Increasing the production of beef, dairy products, vegetables and fruits.

Beef, from 13.2 billion pounds to 14.4.

Milk, from 10.2 billion gallons to 12.

Eggs, from 1,000 million dozen to 1,200  
(Northeastern and Southern regions).

- b. Recognizing the decline in consumption of wheat and lard by a possible reduction in acreage and production.

Wheat, from 62 million acres to 52.

Corn, from 95 million acres to 83.

Hogs, from 14.5 billion pounds to 13.5

- 4. Safeguarding the economic status of farmers as producers, whose income makes them purchasers of manufactured articles as well as payers of mortgage interest and indebtedness, in the interests of rural security.

- a. Securing an optimum farm income, both by adequate prices of farm products through adjustment of production and by reducing unit costs through adequate production.

Prices in 1932: cotton, 5¢; wheat, 30¢; hogs, 3¢.

Farm income, 1929, \$10.5 billions; 1932, \$4.3 billions.



- b. Safeguarding the equity margins of farm mortgages, to avoid foreclosures with losses to owners of farms and of mortgages.

Farm mortgage debt in 1933 was \$8.5 billions, largely held by banks and insurance companies.

- c. Confining interest rates and other fixed charges to an amount in keeping with farm productivity and income.

Farmers can no more compete with commercial rates of interest than the latter could compete with brokers' loans in 1929.

5. Improving conditions of farm life.

- a. Encouraging more home consumption of foods, and improving home conditions.

In the South, 75% of the contemplated increase in production of pork, milk and eggs is intended for home consumption.

- b. Enabling farmers to participate in the formulation of agricultural policies -- local, regional, national.

Establishing an Agricultural Democracy.

- c. Integrating the social interests -- including educational and cultural -- of rural and urban communities.

Effecting a unity in diversity in our social life.



Constitution  
AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers.

What is a Desirable National Agricultural Program?

Third Day - Nationalism and Internationalism.

First Hour- Unity in Diversity.

The function of systematic philosophy has been primarily to discover an underlying unity of reality in the diversity of national and social phenomena; but any philosophical idea must be interpreted in the light of its fruitfulness, its ability to illuminate the complex diversity of events that make up life.

1. As a political principle of the United States, expressed in the phrase E PLURIBUS UNUM, this relationship has emphasized the unity of the Federal Government.
  - a. This unity refers to the powers specifically delegated to the Federal Government; but all residual powers, chiefly those pertaining to the "police power" -- jurisdiction over the lives, safety and morality of the people -- are "reserved to the States and to the people".
  - b. The principle of "division of powers" among the legislative, executive and judicial departments of government, with its accompanying "checks and balances", distributes political responsibility and works for a variety of interpretations of policy.
  - c. Alexander Hamilton pointed out, in the Federalist Papers, that the administration of federal laws would vary with executive personnel and local circumstances; and this factor of diversity has been amplified by the extension of executive powers to bureaus and commissions.
2. The pluralistic implications of Pragmatism point to the diversity, in kind and degree, of social relationships.
  - a. The Church, dominant during the Middle Ages, has been supplanted by the State, but still insists on a large measure of temporal power -- over marriage, education, morals, labor conditions -- even in the United States where Church and State are officially distinct.





- b. Business may assert the principle of laissez faire when restrictive legislation is proposed or being enforced, but is not averse to securing government aid in the form of tariffs, franchises, loans, information services, etc.; and it interferes with the freedom of universities and the press.
  - c. The Constitution represented the demands of commerce and industry for an equitable consideration with agriculture and land ownership; Hamilton advocated government aid for the former, while Jefferson tried to conserve the latter. Many of the important subsequent political issues in America rested on this fundamental problem.
3. Regionalism, based largely on physical and economic factors, has been a powerful diversifying force operating against political unity.
- a. Geographic location and topography have prevented plans for international organization from becoming operative and have contributed to internal dissensions within nations.
  - b. Functional differences -- between agriculture and industry, or between investors and producer-managers, or among commodity regions -- not only cut across political boundaries and disturb political unity, but may become even more intense than international controversies.
  - c. Any decentralized system of social regulation -- such as is implied in "agricultural democracy", with powers delegated to regional committees, county agents and county committeemen -- intensifies the diversification of society.
  - d. The problem of a Pluralistic Society is to strike a balance between the safeguarding of the several regional interests and their reconciliation in the interests of the general welfare.



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers.

What is a Desirable National Agricultural Program?

Third Day - Nationalism and Internationalism.

Second Hour - Political and Economic Considerations.

Progress may be regarded, from one point of view, as the increase in size of social or political units -- early society being characterized by family or tribal units, with later developments of nationalism and internationalism; but there have been "reversions", as in the case of the assertion of the "states rights" doctrine, or of the attempts to safeguard regional units against wider social organizations detrimental to their interests. What is the optimum relationship between the larger, more inclusive, social units and the smaller constituents?

1. The international point of view implies a complete freedom of intercourse among nations, subject only to such regulatory factors as are necessary to safeguard the fundamental elements of social security.
  - a. Due recognition is given to geographic and human specialization -- e. g., that certain raw materials can be produced economically in some regions and not in others, and that some people are adapted to certain productive activities and not to others, especially where comparative advantages of location or natural resources or traditional behavior exist.
  - b. Freedom of migrations of people is asserted, implying a minimum of immigration restrictions and the relieving of population pressures in over-crowded areas.
  - c. Maintenance of the maximum mobility of trade and investments is further implied; underlying these considerations are those of stabilized currencies and a system of international exchange whereby various national monetary units may readily be evaluated in terms of each other.





2. During the last few years the various nations of the world have departed widely from this principle; rapidly developing scientific and technological innovations and the constant threat of war, with the possibility of blockades and isolation, have led individual nations to seek self-sufficiency and to adopt the policy of self-contained nationalism.
  - a. Tariff policies, formerly determined largely by considerations of revenue, have been accentuated so as virtually to place an embargo on imports.
  - b. Currencies have been manipulated so as to serve immediate national interests -- reducing the monetary equivalent of political and private debts and giving price advantages to local producers and selling organizations.
  - c. "Dumping" -- the sale of commodities abroad at prices lower than cost of production -- has been resorted to, with the aid of subsidies; accentuating still further the problems of other nations.
  - d. International relations have been further strained by the efforts of the more industrialized nations to seek new territories with raw-material supplies and additional markets for their products.
3. "America Must Choose".
  - a. Our shift from a debtor to a creditor nation, within the last two decades, requires that we accept a change from a "favorable" to an "unfavorable" balance of trade; otherwise we cannot expect other nations to repay our loans to them.
  - b. The world-wide depression has resulted in a decline in foreign markets, especially for our raw materials; we must either accept these lower world prices or lose our former markets.
  - c. We can imitate other nations by adopting the policy of a self-sufficient economy, buying only such products as we cannot ourselves produce -- e. g., rubber and coffee -- and reducing our exports to an amount which will just pay for our imports, or reducing them even more if we desire repayment of our loans.



- d. At home, we face the alternative of reducing acreage or farm production to a point which will provide our people with adequate food, fibres and building material to meet decent standards of living, or of accepting a decline in prices which will jeopardize not only farm ownership but also investments, factory production, transportation and commerce.



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Third Day -- Nationalism and Internationalism.

Third Period -- A Foreign Trade Policy for American Agriculture.

American agriculture, because of its dependence on foreign markets, has been affected more than any other industry by the nationalistic policies now prevailing in the world, and by our new position as a creditor nation. Under these conditions, what new trade policy or policies can be developed to relieve the situation? First there is the possibility of enlarging our exports of farm products through the new policy of reciprocal trade agreements. This procedure, in the face of the nationalism still prevailing in this country and elsewhere, is likely to be slow and difficult. The insistence of farmers upon processing taxes, or other means of equalization, may bring a general reduction in American tariff rates. Partial or complete cancellation of inter-governmental and private foreign indebtedness and the early stabilization of currencies might help in the revival of foreign trade. If these and other methods fail to restore our trade with the world, agricultural leaders will face the necessity of developing more or less permanent programs of production to meet our domestic requirements and supply such foreign markets as we may be able to reach.

1. Although the foreign trade of the United States in recent years is estimated to be only about 10 per cent of the total trade, there are certain important farm products that have depended to a much greater extent upon foreign markets.
  - a. Cotton, lard, tobacco, and wheat are examples of farm commodities that are largely dependent on foreign outlets. The partial or complete collapse of foreign markets for these products was the immediate cause of the excessive surpluses following 1929.
  - b. A similar situation is discoverable in industrial exports; the automobile business has generally exported more than 10% of its total production, with wide ramifications in the steel and other industries.





2. American agriculture, as well as the general business of the country, would be greatly benefited by a restoration of foreign trade, not only because we have developed facilities - transportation, marketing, etc. - to handle such trade; but because we have large areas that are well adapted to the production of certain farm products on a commercial scale, and in quantities exceeding our own requirements.
  - a. Certain products, such as cotton and tobacco lend themselves readily to large-scale production and handling in large areas of the United States. Permanent loss or drastic curtailment of the markets for the surpluses of these products would require difficult readjustments in the economy of the regions immediately affected.
  - b. Foreign trade is not all bi-lateral and it is mutually beneficial; exports to some countries enable them to sell more to others, and purchases from some countries enable them to buy from others who buy from us.
  - c. The farmers of this country should be definitely interested in the present program of reciprocal trade agreements, especially where they involve the most-favored-nation clauses.
3. That there are grave dangers in maintaining an agricultural productive capacity that is so largely dependent on foreign markets is shown by our experience in recent years and by the present situation in international affairs.
  - a. The basic objective is to produce enough to supply our people with sufficient food, fibres and building materials to maintain our traditional or improved standards of living.
  - b. If, for various reasons, we cannot depend on foreign markets in the future as we have in the past, American agricultural production will probably have to undergo a thorough readjustment not only regionally but nationally.



4. The production of export surpluses in several basic agricultural products makes the prices of these products dependent upon world conditions.
  - a. Even though there are high tariff rates on many farm products they are really effective on only a few commodities, such as sugar and wool.
  - b. The fact that farmers, along with other buyers, help to support indirect subsidies to other industries through tariffs, warrants them in asking similar protection for themselves.
  - c. On the other hand, if food and clothing prices are made higher through a program of agricultural adjustment, the burden will be especially severe on the low-income classes because of the large proportions of such incomes that must be spent for food and clothing. It may be difficult to convince these consumers that they are promoting their own interests by insuring a larger return to farmers.
5. It will be difficult to regain, or even maintain, outlets to foreign markets if prices of exportable farm commodities in this country are appreciably higher than elsewhere.
  - a. Much of the hope for the future prosperity and stability of American farming depends on regaining our export trade; otherwise, some 75 million acres of farm land now cultivated will have to be withdrawn.
  - b. The apparent possibility of other countries expanding the production of cotton and other products of which this country normally has export surpluses is a constant threat to our foreign markets.



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Fourth Day - "Scarcity Economy" and the "Economy of Abundance".

First Hour - The Philosophy of History.

The Philosophy of History attempts not only to formulate a systematic record of all mankind, but also tries to evaluate the successive points of view from which historians have written their "more scientific" histories during the last century and a half since history broke away from philosophy and became an independent "social science"; the concept of "Progress" has an important place in the Philosophy of History.

1. If we regard History as a record of successive "great ages" -- as is frequently the case -- the question arises, what made these ages great?
  - a. In spite of the fact that Athens was a "democracy" and that the whole Greek race and its environment contributed to the greatness of Greece, the Greek "heritage" consists largely of the achievements of Athens, particularly under Perikles -- architecture, drama, science and philosophy.
  - b. Rome left, as an enduring contribution to Western Civilization, her system of empire and law and her extensive public works.
  - c. The Mediaeval Period was characterized by an ideology of other worldliness, which manifested itself in the dominance of religion in daily life and such activities as the Crusades; less directly, this also led to the establishment of universities, while the guilds of producers and merchants dominated social organization.
  - d. The age of Louis XIV, "the magnificent", like that of previous periods, concealed a tremendous amount of poverty, disease and ignorance; but historic records of the period characterize it as an age in which exploration and colonization reached glorious dimensions, and in which literature, music and art flourished.







- e. Similarly with the Victorian Era, with its glorification of family, of democracy, and the common law, of colonization and empire, and its achievements in technology, science and literature.
2. Complementary to this evaluation of human history is the narration of events during the intervening transition periods -- with the search for directing forces at work, and the query, Can we learn anything from History?
- a. The "Dark Ages" following or accompanying the decline of Rome were characterized in part by the disintegration of an advanced civilization; but there was also at work the shaping of a new civilization, through the rise of the Teutonic races and the growing importance of the secular view of life.
  - b. Following the Mediaeval Period was the Renaissance -- a reversion to the classical spirit in art, a period of discovery and invention, the Reformation, the "Reception" of the Roman Law, and the beginning of democracy through political revolution.
  - c. What are the prevailing forces in the present age? The more apparent are the negative -- the loss of confidence, and respect for, the family, church, law, intellectual authority, political and business leadership; but other, constructive, forces may be at work, leading to a new "great age", especially if our ideas are properly adjusted to meet and control the changing circumstances.
3. The concept of "Progress" -- which is implicit in all programs of social control and which is held by some to be implicit also in an uncontrolled society -- becomes one, not only of facts and events, but also of interpretations of them.
- a. What are the factors which have controlled history, as exhibited by the writers of history during the last two centuries -- religious, political, military, physical, economic? Or are all of these combined in the broader, sociological, interpretation?
  - b. Was Hegel right, that the spiritual factors have in the main controlled historic trends; or was Marx right, that it is the physical and economic factors which control and which drag the spiritual and cultural in their wake?



- c. Is it possible to evaluate these factors, according to some hierarchical scale of values; and then, by determining which of them dominated successive periods of history, answer the questions, Is the world getting better? and Can we improve Society?
4. What are the major problems confronting the human mind in the present situation?
- a. In what is obviously a transition age, will the future be determined by forces beyond our control -- by material conditions, or a mass psychology which is largely emotional -- or is the human mind capable of controlling developments, largely by planning and foresight, especially during a transition period when the elements involved are mobile?
  - b. What are the objectives toward which we should direct our efforts in order to create a "great society", in accordance with desirable human and social patterns?
  - c.. Granting the importance of the economic factors in determining human destinies -- they are admittedly more cogent than the physical factors, if not more basic -- what is the framework of a socially desirable economic system which will best make an "economy of abundance" serve the public welfare?



AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Fourth Day -- "Scarcity Economy" and the "Economy of Abundance".

Second Period -- A Critique of our Present Economy.

The people of the United States have practically all of the physical characteristics for an effective economy. The relative immaturity of this country has made adaptation to rapidly changing conditions, resulting from the applications of modern science, comparatively easy. Endowed with abundant natural resources, a virile population and large business organizations, we have depended on prices and competition as the guiding and directive forces in our economic life. This belief in prices and competition as adequate directive and organizing forces is part of our heritage from an earlier and simpler social economy and also of the general conditions and philosophies prevailing at the time our country was established. But competition and prices, under existing conditions, do not operate according to what has been generally accepted theory. Some industries and types of economic activity remain highly competitive; others reflect the very opposite tendency. Some prices readily react to changes in supply and demand or marketing conditions; others respond only very sluggishly or not at all. Furthermore, due to the extensive use of credit in recent decades and the absence of effective centralized control over credit, prices in general have fluctuated violently, thus interfering seriously with the entire economic and social system. Probably the most important problem, or set of problems, now confronting us center around the development of more effective forces and institutions of control so that the actual results of our economy may more nearly conform to what seem to be its potentialities.

1. The United States, more than any other country has the physical characteristics of an effective economy.
  - a. The fully or partially developed natural resources, both in volume and variety, seem sufficient to meet all our economic requirements either directly or through foreign trade.
  - b. Division of labor or specialization both of people and of equipments, have been carried to a very high stage of development.





- c. Transportation facilities exist to such an extent and in such variety as to effect a ready exchange of products.
  - d. There is still a very desirable quality of flexibility in our economic organizations and institutions, but distribution costs are relatively too high and too fixed.
2. The level of prices is a resultant of price data weighted according to the importance of commodities and services in our economy; it is an empirical datum, not of fiat or legislative character, and it is a record of the past from which inferences as to the future may be drawn.
- a. The general price index, being a resultant of many individual price data, cannot be used for purposes of discovering past price trends of individual commodities or for making prognostications regarding them; although the latter are affected by the prices and price trends of other commodities.
  - b. As a rule, prices vary inversely with supply and production volume, but with varying degrees of time lag; and prices may affect production policies, quickly in the case of some commodities like factory products, but tardily in the case of agricultural commodities. The relations between prices and production volumes may become highly involved and reflexive.
  - c. Increasing production volumes, in most cases and up to certain points, imply decreasing unit-production costs; the result may permit lower prices or increased wages or earnings, or a combination of these.
3. The above statements apply to prices in a "free" market; but various kinds of social control may affect prices, at least temporarily.
- a. A "market price" is achieved where sellers and buyers have free access to each other, and where sales and purchases are made for cash with sufficient frequency and in volumes which disclose immediately and continuously price levels and changes; commodities which, like copper, are sold in large lots and infrequently, do not have a "market price".



- b. So-called orthodox economic theory, which this country inherited along with its political independence; maintained that competition and price changes, freed from political or other interference, would bring optimum social and economic returns.
  - c. The universality of this principle of freedom of enterprise was early called into serious question, particularly in the fields of industry that came to be known as public utilities, which are definite exceptions to the principle of laissez faire.
  - d. For many commodities, and for stocks and bonds, regulated markets have been established to facilitate market transactions; but regulations have been found necessary -- in the case of the New York Stock Market, these regulations are worked out in detail and are rigorously enforced. The social problem arises, are these attempts to establish self-regulated markets adequate, or should they be supplemented by governmental controls?
  - e. More direct attempts to regulate prices have been made by governments -- through control of production, encouragement and safeguarding of competition, and by price schedules; the questions arising therefrom are -- are such controls effective? Are they desirable? Do they involve consequences which are worse than the alleged evils they attempt to correct?
  - f. Some students believe that our attempts to retain competition in most fields of industry, while compelling or permitting others to become non-competitive, is a principal cause of many of our recent economic and social difficulties.
4. Fluctuations of the price level, and attempts to control it, become particularly significant in view of the rigidity of fixed costs, especially interest rates.
- a. "Capital" is an inferred investment value of future returns or earnings available for periodic interest or dividend payments; it results from two operations: one, a calculation of possible long-time future earnings, and, two, multiplying by a ratio which approximates current interest rates. Capital value as a function of earnings, may therefore be expected to fluctuate somewhat with them, unless a reverse trend in the interest rate neutralizes such changes.



- b. Where "funded" debts -- e.g., bonds or mortgages -- form a large part of capital investment, as in the case of railroads, urban real estate or farms, and the interest rate is higher than the earnings rate, equities become jeopardized or worthless, and their "investment" character becomes highly speculative.
- c. Where the price level drops radically, foreclosures are inevitable in such cases, unless the interest rate is reduced or unless the capital debt is reduced by "reorganization" or otherwise; serious consideration should be given to the effect on farm debt which may be expected from a change from an economy of scarcity to one of abundance.
- d. Fixed rents are in the same category; the question arises whether farm rentals should not be arranged so as to have some relation to the level of farm prices.





AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Fourth Day -- "Scarcity Economy" and the "Economy of Abundance".

Third Period -- Future Price Programs and Policies for Agriculture.

Reference has been previously made to prices of American farm products in their relationship to future plans for agricultural adjustment and to foreign trade. Farm prices have other important relationships. Much of the present farm indebtedness was incurred when farm prices, and hence land values, were at comparatively high levels. The large volume of farm-mortgage foreclosures in the earlier years of the depression revealed the difficulties that debtors encounter in meeting their obligations when their incomes are drastically and suddenly reduced. The inelasticity in the demand for some farm staples is such that a small volume may yield a larger net return to producers than a considerably larger volume. If important commodities are made valuable and high-priced by making them scarce, certain classes of consumers are certain to be adversely affected - from a larger social point of view, perhaps more than offsetting the added returns to the producers of such commodities. "Reasonable" prices that will bring a fair return to farm producers, and not unduly affect the interests of consumers, may be very difficult to maintain. The fact that such important factors in production as drought, diseases, etc., are still outside the realm of human control, greatly complicates the problem.

1. The problems of farm debt and farm credit are vitally affected by trends in the price level.
  - a. Most all of the present long-term farm indebtedness was incurred when farm prices were much higher than they were during most of the depression period.
  - b. Even after the Farm Credit Administration had succeeded, through refinancing loans at lower interest rates, reducing annual amortization payments, and otherwise lessening the burden of debt resting on many farm debtors, the difficulties of meeting these debt payments were still very great, especially before the recent increases in farm prices.



- c. Considering the question of farm indebtedness alone, prices to farmers that would put them in the same relative economic position they were in when most of these debts were incurred, would be warranted.
- 2. The interests of consumers must be considered, in connection with price policies, as well as the interests of producers.
  - a. There are millions of American Consumers whose incomes have been greatly reduced; aside from those who are unemployed, many additional people have suffered declines in income, and the situation of many of these has been tolerable in recent years only because of the relatively low prices of basic commodities.
  - b. Even these consumer prices have not been as low as farm prices would indicate, because of the relative inflexibility in distribution costs; hence the need of a better system of distribution.
- 3. Processing taxes, used as a means of raising funds for benefit payments to farm producers are subject to the same criticisms that may legitimately be brought against all consumption taxes.
  - a. The question arises whether processors should have a greater voice in the determination of processing-tax policies.
  - b. It is difficult to determine who pays the processing tax -- the processor, the consumer, or the producer; or perhaps all three.
  - c. A major question of social-economic policy is, Who should pay the processing tax? If the payment is shared by all three groups, what is a desirable apportionment?
- 4. Assuming that some program of agricultural adjustment is necessary, the question arises as to the best means for putting it into effect.
  - a. Any rational goal or program must be designed to provide farmers with a reasonable standard of living -- levels of agricultural prices must not be confused with amounts of net farm income.



- b. From the standpoint of both farmers and the general public welfare, adjustments from the point of view of regional specialization and soil conservation must be coordinated with price and income adjustments.
- c. Unrestricted competition must give way to controlled collective action, in the sense of a flat percentage cut in acreage and production.
- d. National planning must be coordinated with regional and local planning.
- e.. Farmers and farm leaders should familiarize themselves with agricultural adjustment programs in order to participate intelligently in the national referenda and administrative activities which constitute our agricultural democracy.





AGRICULTURAL ADJUSTMENT ADMINISTRATION  
Division of Program Planning

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Fifth Day -- A More Abundant Rural Life.

First Period -- Human Values.

Science has, as one of its major functions, that of seeking relationships, of systematic organization of data and inferences, and of integrating the various differentials which constitute its descriptive materials. But Science cannot get beyond this descriptive character without ceasing to be what it is; it cannot evaluate other than by measurement, it takes no account of the imponderables of human personality, and it scrupulously avoids the "normative" field, i.e., questions as to what is socially desirable or what should be. These latter fields are among the most important problems of Philosophy. Philosophy may begin with questions of fact and inferences, but it goes beyond these into the problems of value and significance.

1. A fundamental problem of Philosophy has to do with the evaluation of human beings, animals and inanimate things --e.g. Shaw's Doctor's Dilemma: if we have to have either good people and rotten pictures or good pictures and rotten people, which shall we prefer?

- a. What are the characteristics of men, of animals, and of inanimate things, and what are their differences?
- b. What is "evolution"? Does it culminate in man, or in social institutions--was man made for the Sabbath, or was the Sabbath made for man? Is this a government of laws or of men? Or is evolution, as Spencer declared, more objective--a development from homogeneity to heterogeneity, from instability to stability, from inorganic to organic, etc.?
- c. What constitutes "progress"? Is the criterion material--more food, less flies, more machines--or is it spiritual?

2. What makes the worth of human life?

- a. Is there anything in "equality", the supposed basis of democracy; is this a general quality, actual or desirable, or is it confined strictly to the soul or spirit, the rights of men before the bar of justice, and suffrage?



- b. What constitutes a man's relation to himself? What are his inner resources when he is deprived of material goods? How can he best organize or control his mental attitude? What happens when he puts on his "best clothes"?
  - c. What is liberty worth? Is it possible in modern society? Is it worth fighting for? Dying for? Has a man a right to insist on doing vocationally what he wants to do, or do vocational groups have the social right to set standards for him to meet before he is allowed to join the group or practice his vocation?
  - d. What is altruism? Are most people selfish? In Logic there is a rule of economy--Occam's razor--whereby events must be explained by the least number of causes; is there a similar rule for understanding human nature or social behavior--should human beings be presumed to be selfish unless otherwise proved, or should their motives be assumed to be good unless evidence points to the contrary?
  - e. What are the possibilities of family life on the farm? Is hospitality a lost art? How may it contribute to improving rural life?
3. What do men and women most desire? Are these objectives socially desirable, and are they in keeping with what a wise man would determine to be their needs?
- a. Health and longevity are admittedly desirable human objectives; strength has generally been admired in men, and beauty in women. To attain these objectives, however, there must be provided the social facilities for securing adequate sustenance, shelter and recreation.
  - b. Human beings are allegedly differentiated from animals and things by the possession of superior mental ability--skill in bodily actions or the handling of tools, knowledge as to past and current events, intelligence in the selection of important elements in a situation, and judgment in evaluating or anticipating events.





- c. One of the most important values in human life is the aesthetic--the exhibition of good taste in behavior and clothes and in the selection of associates and surroundings, an appreciation of beauty as expressed in the fine arts, and in the formation of judgments.
  - d. The development of good character has been regarded universally as an essential human value.
  - e. Transcending human values are the religious--a reverence for the "higher" purposes and a striving for a more perfect harmony with the universe, and a development of faith in God and man.
  - f. Social values also transcend the human--especially as we go from the moral aspects of the sense of economic possession and control, through the interest in fertility and consciousness of stewardship, to an identification of the objectives of the individual with the goals of social institutions.
4. This projection of the individual into the social institution--State, Church, Vocational group--has developed the idea of the "great community".
- a. The psychological basis rests primarily on the relations of a man to his neighbor--how can these be worked out so as to adjust their conflicting interests, as well as to develop their mutual interests and the values of cooperation.
  - b. The situation arises similarly as regards the relations among social groups--is social life a matter solely of conflicts of interests, with compulsion as the determining factor, or can social values be shared without lessening them?
  - c. What is injustice--among individuals or groups, or of the social order to the individual?
  - d. How may the horizon of rural life be extended by cultivating in the individual and in the community a loyalty to a great personality or ideal?





AGRICULTURAL ADJUSTMENT ADMINISTRATION  
Division of Program Planning

Schools for Extension Workers

What is a Desirable National Agricultural Program?

Fifth Day -- A More Abundant Rural Life.

Second Period -- Social Income and Standards of Living in the United States.

The total social income of this country has fluctuated violently in the past few years. From a high point of approximately 90 billion dollars in 1929 it receded to billion dollars in 1932. Even when proper allowance is made for changes in the value of the monetary unit, in terms of which the social income is measured, the variations are very great. At the highest point yet attained, the per capita average is disappointingly small - considerably less than \$700. When allowance is made for the wide disparity among individuals and classes, in income actually received, this means that large numbers of people realize incomes inadequate to buy even the essentials of life. This country, then, is faced with at least two important questions regarding social income and standards of living; first, what can be done to increase the total social income, and second, how can whatever income that may be realized be distributed in such a manner as to meet the more urgent needs of larger numbers of people?

1. The total social income of the United States is an estimate of value of all goods and services which are produced in the country in a year, and which are measurable in terms of money.

- a. The annual social income for each of several recent years has been estimated to be:

1927 -	1931 -
1928 -	1932 -
1929 -	1933 -
1930 -	1934 -

- b. Viewed as a total, the social income for a year, or a period of years, is the sum from which all our economic requirements must be met, including those for replacements of and additions to capital.



- c. The distribution of this social income constitutes one of the major social and economic problems, because that distribution determines in large measure the proportions of the total that will be expended for consumer goods and capital goods, respectively, and hence the balance between these two forms of expenditure.
  - d. Through modifications in our tax systems, and by other means, efforts are being made to effect a distribution of the social income that will be more desirable from a social point of view.
2. The term "standard of living" has been given a variety of meanings, but generally it has reference to the economic goods which an individual, a family or a homogeneous group normally enjoys or consumes.
- a. Using the term in this sense, standards of living in the United States show a very wide disparity. Even within a group that might otherwise be thought of as being similar, - e. g., farmers - differences in standards of living are pronounced.
  - b. Although there are other factors, the amount of real income received is the most important factor in determining what the standard of living will be in any case.
  - c. Careful studies indicate that by a redistribution of the social income that would give a larger share to what are now the lower income groups, the demand for consumer goods of practically all kinds might be greatly increased. Furthermore, such an increased demand on the part of large numbers would gradually increase the total social income through increasing volume of production.



3. Various possibilities may be considered whereby the real income of farmers might be increased.
  - a. A program of better land utilization and conservation of agricultural resources offers a long-time safeguard against declining agricultural income.
  - b. Improved farm-management practices, including a careful keeping of accounts and a reduction of costs, would result in better immediate incomes.
  - c. More effective organization of farm producers is essential to the carrying out of any concerted efforts at adjustment.
  - d. More effective methods of controlling the general price level or the value of the dollar would establish "parity" for farm prices.
  - e. An essential element in the problem is the increasing of the demand of city consumers of farm products through improved conditions and a better distribution of income in manufacture and trade.
  - f. Increasing demand could also be effected, and lower unit costs also thereby achieved, by the reopening and expansion of foreign markets.
  - g. Distribution costs could be reduced through further improvement in marketing methods; this would aid farm producers, whether it resulted in higher prices for farm producers or lower prices for consumers with increased purchasing.





AGRICULTURAL ADJUSTMENT ADMINISTRATION  
DIVISION OF PROGRAM PLANNING.

Schools for Extension Workers.

What is a Desirable National Agricultural Program?

Fifth Day -- A More Abundant Rural Life.

Third Period -- Policies and Programs for the General Improvement of American Farm Life.

In spite of the rapid and vigorous expansion of American agriculture, abundant rich soil and many other natural resources, rural life in this country has left much to be desired. This has been notably true of certain sections and of certain classes of farm producers. Recent surveys have shown that living conditions and standards in many cases are no better than those of the peasantry of older and much less richly endowed countries of Europe. Farmers in this country as a class have chronically received less than their share of the total social income on the basis of relative numbers of people. Not only are home conditions in many cases inexcusably bad when the potential wealth of the nation is considered, but social facilities and institutions - churches, schools, recreational facilities - have been found equally deplorable. Drastic and sudden shifts in economic conditions have left many farmers with no greater feeling of economic security than that of the urban wage earner. Social-security legislation thus far enacted by Congress extends only incidentally to farmers and farm workers. The present period of rapid change is a good time to project plans for the general improvement of rural life.

1. Surveys conducted by the Department of Agriculture show, statistically and otherwise, the generally low standards of living that prevail in many farm homes and rural communities.
  - a. Farm homes are inadequately provided with running water, bath-room and sanitation facilities, proper lighting, and heating arrangements, and telephones.
  - b. Educational and transportation facilities are being improved, but recreational and cultural opportunities are still deplorably inadequate.



- c. The providing of better physical facilities in rural homes and communities, as elsewhere, depends very largely on increased income. The realization of a larger total social income for this country will depend on the degree of success of general governmental programs now in operation, the re-employment of millions of people now unemployed, and the general tempo of business activity. The share of farmers in this larger social income, if it is realized, will be the measure, in large part at least, of the policies and programs specifically for the benefit of American agriculture.

2. What can be done to improve rural life?

- a. Increasing net farm income and by principles of good farm management making farm life more secure and more contributory to the national welfare.
- b. Developing the attitude of responsibility attached to ownership of land and a sense of stewardship for providing the American consumer with adequate food and fibres.
- c. Encouraging better physical standards on the farm, through better dietary habits, etc.
- d. Enabling the farmer to participate in the formulation of agricultural policies -- local, regional and national -- by establishing an agricultural democracy.
- e. Integrating the social interests -- including educational and cultural -- of rural and urban communities.





United States Department of Agriculture  
Extension Service  
Division of Cooperative Extension

Democracy

THE PREDICAMENT OF DEMOCRACY\*

Dr. A. G. A. Balz, Professor of  
Philosophy, University of Virginia

Many misgivings beset me as I face this audience. The philosopher is not frequently called upon to focus his discipline upon the problems of immediate action. His habitat is the classroom and his victims are undergraduates. Now the undergraduate bears a curious resemblance to Socrates. Like Socrates, the undergraduate admits his ignorance. He even will concede that the professor possesses a store of knowledge. But unlike Socrates, the undergraduate does not regard his condition of ignorance as deplorable - at least not his ignorance of philosophy. Indeed, the undergraduate perceives no sound reason why he should not escape the strange vistas of philosophy: he believes that he will live just as happily ever afterward, philosophy or no philosophy. Ignorance, therefore, of philosophy, if not of economics and chemistry, is to this most intriguing of animals, the undergraduate, a condition of normalcy almost physiological in its equilibrium. Professors of philosophy, seeking by anticipation to blunt the edges of criticism, frequently amuse their classes with that old scornful definition of the philosopher: The philosopher, so runs the definition, is a blind man looking in a dark room for something that isn't there. This anticipatory apology, however, is seldom effective in the classroom. The undergraduate does not expect enlightenment, but boredom. He does not expect wisdom that will facilitate his present and future pursuits, but only a magnificent irrelevance to the interests of youth. Once all of this is a matter of tacit understanding between student and teacher, the professor of philosophy finds the environment of the classroom wholly congenial.

Outside of the classroom, as on this occasion, the teacher of philosophy succumbs to stage fright. My audience today is composed of men, who, unlike the undergraduate, are possessed of knowledge; unlike the undergraduate, they possess the wisdom that only active experience can supply; and finally, and again unlike the undergraduate, their interests are defined, not by the abundance of animal spirits, but by the responsibilities of action in a difficult world. In these conditions, the philosopher is in a dilemma: if he speaks with extreme abstraction, what he asserts may mean anything, and this is futility; on the other hand, if he treats of the problems of your responsibility, he speaks out of ignorance, and this is another futility. The philosopher, then, is in a predicament. He feels the whole force of the perennial conflict between the limpid simplicity of the purely theoretical and the cloudy demands of practical life. He is caught in the dilemma that, as you will remember, was faced by Huckleberry Finn and the nigger Jim during their journey by raft down the Mississippi. It had been their practice, you will recall, to provision their raft by raiding gardens and occasion-

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\*Lecture given October 15, 1935, in U. S. Department of Agriculture, Washington, D. C., before cooperative agricultural extension workers and others.



ally lifting from a henroost certain of the occupants that were not resting easily. The practice occasioned pricks of the moral conscience. On the one hand, Huck and Jim knew that a simple moral principle forbade their practices; on the other hand, Huck and Jim knew that they must live, or thought that they knew it. It was difficult to see how raiding henroosts and the moral principle could be reconciled. Escape from the predicament they found, according to Mr. Mark Twain: agreeing that never again would they take crab apples that belonged to another, they found a cathartic for their uneasiness of conscience and slept much better thereafter. Nor was their solution without a basis in fact: for Huck acknowledged that crab apples are never good to eat anyhow, and besides, at that time they were not in season.

A good many people, I suspect, resolve their dilemmas with something of the sweet simplicity of Huckleberry Finn's procedure. It is doubtful, however, if a philosopher should meet his predicament by following the peculiar mode of compromise illustrated by Mark Twain's hero. I have described the philosopher's predicament, when confronting this audience, as defined by two possible futilities: on the one hand, the futility of a mere enunciation of principles so abstract that they may mean anything or nothing; on the other hand, the futility of treating the problems of agricultural life in America that lie beyond his experience. Whether there is any escape, remains for you to judge later on. I intend, however, to assert that this predicament ascribed to the philosopher is the predicament of democracy itself. I maintain that the difficulties of directing philosophical thought in a useful way upon the problems of American life are a reflection of the difficulties that define the very nature of democratic government and life. Whether we subscribe to democracy may be a matter of choice. But if we so subscribe, we subscribe to a principle that generates perpetually the difficulties and dilemmas peculiar to the operation of this very principle. Action in a democracy presents peculiar perplexities; these spring, not from environment, but from the nature of democracy itself. If one be a pacifist, and, defining his pacifist principle, seeks to live in terms of it, he will encounter problems: and these problems will be peculiar to the effort to live in terms of this principle. If, on the other hand, one seeks to live in terms of an opponent principle, he will again encounter problems, but they will not be identical with the difficulties that are generated by the pacifist position. I return, therefore, to my bald assertion: the perplexities that arise when we seek to throw philosophic light upon the problems of American democracy are manifestations of the uncertainties born of the democratic principle. The predicament that we confront is the predicament of democracy itself.

Now if this be true, the first condition of helpfulness has been attained. To know the difficulty, to locate its source, to lay before the mind the theoretical condition that generates our practical problems - this, I maintain, is surely the very precondition of advance. I use the expression, "advance", rather than solution, advisedly. Philosophical study, we must admit, in one sense always produces a certain scepticism. It produces scepticism of easy solutions, of the certainties of fanaticism, and of the finality of programs. The practical side of this scepticism is patience and good humor. The problems of human life are, in one sense, soluble; in another sense, they are insoluble. The problems of human life are soluble only in the



sense in which scientific problems are soluble: that is to say, the advances of science consist of the attainment of more assured positions from which the revelations of new depths to be explored are secured. No serious Utopian has ever intended anything more than this. Plato himself never meant to portray a state within which, once established, mankind could dwell as within a new Eden, having achieved a new state of innocence, with Adam no longer earning a living by the sweat of his brow and Eve bearing her children in a perpetual twilight sleep. Plato really meant nothing more than this: if we know what the state is, then in the measure in which we attain this knowledge, in that measure human life can be bettered. Whatever we may mean by Progress, surely it means that our practical aims are directed toward betterment. But betterment implies the bettering of that which is better than something else; it makes irrelevant the Best as a practical aim. A perfect human society is nonsensical as a practical good: it is only an idea guiding us towards improvement. Progress does not aim at the Best, at an optimum condition, in a temporal sense - in any sense in which a better condition may be in time superseded by a finally perfected state of affairs. Society, like some individuals, might conceivably attain a condition of saintliness. But saintliness is not a state of perfection, at least in any earthly sense.

This, I urge, is an important point. The guidance of philosophy, like the guidance of science, is relative to conditions. Its remote principles may be absolute. Or we may have confidence that there are absolute principles - I cannot here discuss this issue. It is sufficient to insist that the helpfulness of philosophy to practical life is not the helpfulness of complete solution of the problems of human life - for this does not exist - but the service of illumination, the clarification of issues so that the activity of intelligence is quickened. And the first step in this clarification must be the improved grasp of mind upon the principles of its procedure. What, then, is the predicament of democracy?

But here we must pause. Obviously, we must first define democracy - and this task; you will agree, is formidable. Our employment of the term is quite similar to the employment of very general scientific terms. When scientists speak of matter, they depend upon a vague and inchoate fund of meanings that serves as a basis of discourse; but a universally accepted and quite definite meaning for matter can scarcely be discovered. Similarly with our use of the term "democracy." Vaguely we all think of equality, of freedom and fraternity; we imply in an indefinite fashion that public agencies, governmental organizations, exist for the sake of the interests of individuals, in their severalty and in their cooperative enterprises. At any rate, it seems clear that by democracy we do not mean to proclaim the absoluteness of the state and to assert that the citizen exists merely in the interests of the state. In whatever senses the human being within the state is subject to the state - and obviously there are senses in which this must obtain - the democratic position denies that the human being is a mere incident, a mere vehicle and manifestation of the state as a superior thing. We serve the state, indeed, but in order that the state may serve us, in our severalty and in our interests as human beings. We desire that the state shall flourish - but democratically, we think that the state and its multitude of agencies should flourish not for their own sakes but for the sake of human life. In the end, it seems, however vaguely we think this, we do think of the Government as an instrument for us, and we deny that we are merely instruments of the state.



These suggestions, of course, do not constitute a definition, just as scientific agreements concerning matter do not provide its definition. It is not my intention to provide a definition of democracy - I am not so bold. But I believe that I can point to the sources from which a start towards definition can be made. The ultimate source of this bundle of meanings that we symbolize by the word democracy can be found in the first paragraph of a famous little book, first published just 298 years ago. The book was written by the French philosopher, Descartes, the founder of modern thought, and is called the Discourse on the Method. Its first paragraph is a startling thing. History shows that it was loaded with nitroglycerin. It really caused the French Revolution. It is the ultimate source in modern thought of the democratic movement. In my judgment, the democracy of Thomas Jefferson really derives from this paragraph. What, then, does this remarkable paragraph assert? In it Descartes affirms that Good Sense is the most equally distributed thing in the world. It is possessed by every man. But what is Good Sense? Descartes tells us that he means by it the power of forming a good judgment; the power of distinguishing the true from the false. Now I am sure that this arouses your incredulity. Could any affirmation be more absurd? Do not men profoundly differ with respect to the power of forming a good judgment, by which Descartes means a true judgment? Is anything more obvious than this, that men are mostly fools, as Carlyle said? In a sense, we must admit these absurdities. But they leave Descartes' assertion unaffected, if we really understand it. Do we not assert that all men are born free and equal? Is this any more absurd than Descartes' statement that all men partake equally in the power of distinguishing the true from the false? Despite your incredulity, I intend to show that our conviction that somehow men are born free and equal is not absurd; and that, moreover, the conviction is based on Descartes' proposition. Indeed, I will argue that, unless the power of distinguishing the true from the false is equally distributed among men, our conviction of human equality is baseless and all democracy is moonshine. Let us patiently try to discover what Descartes meant. After this incredible statement about human equality, Descartes immediately proceeds to insist upon human inequality. How do they differ? In countless ways. They are strikingly unequal with respect to all other powers: powers of bone and sinew, of sense-organs and muscular action, of memory, association, imagination, and feeling. Just as one man may have a stronger digestion than another, so one man may be superior in all of the powers that are auxiliary to Good Sense. Evidently, Descartes is making a radical distinction. He is distinguishing something called Good Sense, that is possessed equally, from all other powers, with respect to which men are indefinitely unequal. Good Sense is Descartes' name for Reason, for the power without which rational thought cannot occur. Good Sense is the name for that human endowment from which arises the very idea of Truth, the very distinction between Truth and Falsity. Descartes is asserting that man is a rational animal, and as rational, one man is absolutely equal to another. Unless a creature be rational, he is not a man. An infant; a creature that possesses such human characteristics as being a biped, having senses, memory, imagination, but also is insane; a human animal in desperate illness: these are, in fact, not men at all. Our laws recognize this fact. The infant may become a man, that is, a rational creature, but he is not such a creature; the insane is merely biologically a man. Human beings, as human, that is, as rational, as possessed of a demand for truth, are in principle equal. One man can have a better memory than another. But one man cannot be more rational



than another, any more than one biped can be more bipedal than another biped. Either a creature is a biped or it is not. Similarly, either a creature is rational, and therefore is human, or it is not rational, and therefore is not human. An irrational or nonrational man, a creature whose nature does not demand the distinction between the true and the false, an animal incapable of establishing an ideal of truth as a principle of thought and action: such a being is not a man at all, but a monster, like a 2-headed calf, or a hybrid, like a mule.

This bewildering doctrine is made clearer if we consider wherein, for Descartes, consists human inequality. The inequalities lie, not in the power of reason as such, but in the powers that condition the exercise of reason. A 1-legged man, however sound of wind, cannot compete in races. A man of dull imagination is restricted with respect to the materials upon which he can exercise his power of distinguishing the true from the false. A vast accumulation of experiences is requisite before one can estimate the soundness of an hypothesis concerning the heat of the stars. In a word, men are unequal in their capacities for acquiring and employing the materials and instruments for intellectual operations. The humblest person recognizes that a contradiction is a contradiction. The power to determine whether Darwinian and Lamarckian principles of biological evolution are contradictory or not depends upon a great deal more than this Cartesian power of Good Sense. Thus men vary indefinitely in the conditioning powers: and these conditioning powers range from physiological health and strength to memory and imagination. Men are unequal in their powers of assimilating the devices, tools, ideas, symbols, experiences, that foster the display in mental and physical activity of their rational power. You and I are utterly the equals of Einstein and Newton, of Plato and Aristotle, in so far as we are identical in possessing the power of reason. But you and I may be unable to comprehend the mathematical intricacies of modern physics. From the standpoint of Descartes, this inequality is incidental, not a matter of the definition of man. A man that is tone-deaf cannot become a musician; a man born blind could scarcely be a successful astronomer; but all inequalities such as these are merely natural facts. Reason, we may say, dwells within all human organisms. These organisms are, so to speak, just so many agencies or instruments of reason. Reason democratically inhabits all the animal bodies of the human species. Its demands democratically fall with equal weight upon each of these beings. The capacities of these beings to respond to such demands, however, vary beyond all calculation. Hence the incalculability of human life: the misshapen dwarf may become a poet; and an undergraduate with the physique of a Greek god may be hopeless before algebra.

Democratic equality is now defined - or at least, in my conviction, a start has been made. Men are equal - in the Cartesian sense, as rational. As servants of truth, as loyal to an ideal of knowledge as the basis of action, they are equal. In every other sense imaginable, they are unequal - unequal biologically, physiologically, neurologically, psychologically, and socially. Nothing can be done to make men more equal in their equality as creatures of reason - they simply are equal. In so far as rational, their rights are identical, their meaning and function in society are the same for one as for another. In so far as rational, the brotherhood of man, the universal equality of the human as human, is assured. Thus the equality of man is unassailable - men are indeed born free and equal.



Inequality, however, is as real as equality. If the equality of men, as an equality of rationality, is unassailable, their inequalities in every other sense are undeniable. But here we meet a most vital fact. It is enormously significant that from Plato on down, the definition of rational human equality is correlated with a practical program directed upon human inequalities. Human inequalities can never be removed; but they may be alleviated. Rationality cannot be increased or diminished, but the concrete capacity to employ reason can be altered. However indirectly, it is clear that a man's exercise of his rational power is conditioned upon his health. When a philosopher is ill, he does little philosophizing. In a word, democratic equality, defined as equality in the participation or sharing of reason and its fruits, demands a certain practical program. It demands the establishment of agencies for securing and maintaining health. And this is nothing more than education. We have seen that men differ profoundly in those powers that condition the exercise of reason - and these conditions are biological, bodily, as well as economic and social. Education is a means for remedying, in so far as remedial, the inequality of men with respect to the conditions upon which their exercise of reason depends. In the complete sense, the problem is essentially that of medical science. Education, in the narrow sense, as schooling, should be viewed as merely a special branch of the total science of medicine. The field of medicinal science, to put it differently, is coextensive with the total conditions that affect the exercise of rational powers - the power to know, and so to guide action by knowledge. Teaching is applied medicine precisely as correcting defects of vision is applied medical science. The development of the capacity to read, and so to absorb the fruits of human experience and of human rationality, is at bottom just as truly an application of medical science as muscular exercise is an application of medical science. In a democracy, the aim in both cases is the same: the development of those powers upon which the exercise of human reason depends. The very principle of democracy, if defined in the Cartesian sense, requires education as the primary concern of a democratic society.

Perhaps I can make this clearer by a contrast. Let us ask: do we educate animals? Obviously, the term is inappropriate. The meaning of education is the establishment of conditions that foster the rational life. Assuming for the sake of argument that animals are incapable of the rational life, it then follows that there is no education of the animal. The animal may be trained; the animal may be bred selectively; the animal may be fattened for food. But the training and breeding and feeding of men has a radically different significance. Let us imagine a society containing the institution of slavery; and let us imagine that slavery in this society is carried to its extreme, that it is completely slavery - a thing which probably never happened in fact. Then the slave, by definition, has no equality, no humanity, and is not an element in society. The slave cannot be educated. Just as a farmer may prudently take care of his horse, as of any other tool or instrument; so the slaveholder may care for his slave. It may be desirable that the slave have some command of language, precisely as it may be desirable that my dog recognizes my whistle or a word of command. In this literal sense, slavery has never existed - which merely indicates that the distinction between man and the animals has always made itself felt. The animal and the slave, then, represent the very opposite of the Cartesian principle of equality. We take advantage of animal differences in order that they may be more effective tools



or agencies - we use one kind of dog to guard sheep, another kind for hunting quail, one kind of horse for draft purposes and another for the purposes of sport. In a democratic society, however, we take advantage of human inequalities in order that human equality may be made manifest. Human equality, as rational, let us repeat, is an unchangeable fact; human inequality in the powers that condition the display of reason in life is in some measure changeable, remediable. Only in some measure - there is little hope that all inequalities can be abolished. Men cannot be made equally fleet of foot, or equally capable of digesting corned beef and cabbage; nor can they be made equally acute with respect to eye and ear, equally gifted with energy and determination. Human inequality, accordingly, defines a many-sided practical program - in the profound sense, the great enterprise of a democratic society is education. And in a sense equally profound, the ultimate significance of government in a democratic society is that of an instrument to support this enterprise.

This, I urge, is the beginning of a definition of democracy. The peculiar property of man as man lies in his rationality. This property alone defines man universally, defines the nature of man as peculiarly man. In this alone resides the basis of human equality; in this alone resides the basis of human freedom and fraternity. All other equalities are merely incidental. Two men may be equally fleet of foot; they may possess an equal number of dollars or an equal number of acres. All those properties with respect to which individuals may be equal, or may just as likely be unequal, are obviously irrelevant to the fundamental principle of democratic equality. Because men are possessed of the rational principle, they must distinguish between truth and falsity, whether given individuals know little or know a great deal. They must hold allegiance to a standard of truth. Every man as a man must establish the distinction between truth and falsity as fundamental for action. This equality can neither be diminished nor augmented. All other equalities and similarly all inequalities between one man and another are merely matters of natural fact, not of principle. This is the profound meaning of the Christian dictum that all men in the sight of God are equal. In this is no denial of the reality of individual differences. But the equalities and inequalities that lie outside the principle of rational equality are merely stubborn natural facts. In As You Like It, the shepherd says to Touchstone: It is the property of water to wet, of fire to burn, and a great cause of the night is lack of the sun. These things just are. It is the property of water to wet; therefore, knowing this brutal fact, we can take advantage of it and use water for appropriate purposes. Similarly for human inequalities. In principle, democratic government can do nothing but recognize such inequalities as natural facts. Human differences condition the application of principles in action. Only strong healthy men can be used in the military services, just as only a man with eyes can be permitted to drive a car. Such differences, whether small or large, may affect action in detail. They are necessarily irrelevant in the definition of democracy and democratic citizenship as such.

All this, I am convinced, was in the mind of Jefferson. He perceived that the recognition of every man as rational defined the very ideal of democracy and freedom. Every man is born free and equal. No act of another, no act of government can deny this without self-contradiction. To deny it is nothing more than to deny, in the name of truth. Jefferson, like Plato, per-



ceived that democracy's first concern is education in the profound and complete sense of the term. Every individual must realize the truth for himself; every man, in this sense, is indeed a king, but a king who has no subjects. Government cannot add to or subtract from this ultimate authoritative kingship. It can do nothing more than foster the conditions that favor for each individual in this total unique individuality the exercise of this kingship. In so doing, it must follow the rule, based upon brutal natural fact, that what is meat for one man is poison for another. Democratic society is then a society for the equal cultivation of natural inequalities. And this indeed is what Jefferson demanded.

With unbecoming recklessness, I now maintain that I have at least made a start towards a definition of democracy. The principle of democracy, I insist, is clear and comprehensible in its nature. Doubtless the principle possesses profound depths that no human eye has yet explored. Doubtless the fertility of the principle is incalculable, and neither Plato nor Jefferson could grasp all its internal richness. Nevertheless I urge that we are in no difficulties concerning the nature of democracy. We know the first implications of its principle even if we do not know more than the first. The difficulties of democracy do not reside in its essence, in its rational principle. What, then, is the predicament of democracy? Why is democratic government so sorely beset today? Why are democratic citizens in a democratic state so bewildered? When we define the democratic principle, we define, I am deeply convinced, the persistent theme of the American tradition: but why, then, is American society choked with conflict of ideas?

The difficulties of democracy arise from the necessities of action. In a word, the democratic ideal, of all ideals, is the most difficult to realize. The democratic ideal demands the rational man in a rational society, with every act of man and society an embodiment and expression of truth. But how on earth can this be realized? Life is imperious in its demands for action. We must live before we can seek the truth, even if truth-seeking and truth-applications define the very meaning of human life. How can we wait, before acting, until we shall have attained truth? How can the economic life be halted until economists erect a perfect economic science? Pontius Pilate washed his hands. But democratic society cannot. Democratic society and government are democratic only if and when action is guided by rational insight and loyalty to truth. Dictators and other savages do not bother about this - and that is exactly why they are dictators and savages. But democratic government must give supreme allegiance to truth and every activity must be guided by knowledge. Here is the essence of our predicament: we know so little and we must act in so many and important ways. If we do not know the truth, how can we act? But we must act, whether we know the truth or suspect our ignorance. We desire justice: but do we know what justice is and how it is to be realized? We desire human welfare, for every individual and for all human groupings: but do we know what human welfare is and what procedures will certainly realize it?

The predicament can be examined both in the democratic man and in the democratic society and government. What is the truly democratic man? Obviously, he is the rational man, the man whose mind is furnished with knowledge and whose activities are guided by the power of distinguishing the true from the false. Unhappily, the rational man is an ideal; he does not exist. Edu-

cation is an effort to produce this ideal creature. But even approximations to him are few and far between. Men, to be truly men, should know, should love the truth, and should guide action by it. In point of fact, men are ignorant; they are swayed by passion, prejudice, momentary considerations; they are victims of a vast accumulation of false ideas, delusions, chimeras, and stupidities in our social inheritance. Diogenes looked for an honest man and could not find him; he was really looking for a democratic man - I do not say a Democrat - and his search was vain.

If we cannot find a truly democratic man, can we find a truly democratic society or government? Obviously not. How can a government be guided by knowledge when we know so little? How can a government be rational when individuals so seldom act rationally? How can a government propose a sound program for advance if there be uncertainty as to nature, man, right and wrong, good and bad? Suppose we suggest that government be guided by science? Science, however, is not complete. Science contains but fragments of knowledge, while what we need is a complete system of knowledge. Democratic government must be an agency created by reason and devoted to the purposes of a rational life. But if life be so oppressively irrational, how can democratic government be an instrument of that rational life? If Diogenes could not find an honest man, what chance is there of discovering an honest society? Is there any escape from despair?

We can, of course, accept the counsels of despair. We can act arbitrarily. An individual, finding the rational life difficult, and recognizing that he does not possess the knowledge he should possess, may escape the problem in an animal way. He may arbitrarily accept some element of tradition. He may be guided by his passions and his prejudices. He may set for himself certain purposes, and without bothering to determine whether they are good or bad, relatively sound or relatively unsound, proceed to attain his arbitrary purposes. Similarly, a government may define its purposes arbitrarily. It may establish certain purposes, exalt certain ideas, play upon passion and historical interests, and proceed to action. This is precisely the nature of dictatorship. Despairing of action guided by reason and implemented by knowledge, the exertion of power becomes ruthless because it asserts its independence of rational tests as to truth and falsity.

If we are unwilling to accept the counsels of despair, is there any way out? Is the situation hopeless? I do not think so, if for no other reason than this, that to locate our difficulty is the first step towards improvement. When a man recognizes the strength of his passions, when he becomes conscious of the weakness and uncertainty of his social inheritance, of his private beliefs, then he has taken a first step toward the rational life. And so with society. In the measure in which democracy becomes aware of its difficulties, of the source of its difficulties in its very principle, the first step towards advance has been taken. We now know the very source of our difficulties. A democratic society is a rational society. In principle, we demand that a democratic society follow the dictates of truth and that the acts of a democratic government be guided by truth and incorporate rationally coherent ideals. But now we ask: where lies the truth? Where are there ideals rationally coherent? Where are there principles of government contested by no one, but admitted by every rational mind? How can we act rationally in a world so full of passion, of the conflict of



interests, of disagreement concerning principles and concerning the valid aims of a society? Ye shall know the truth and the truth will make you free. Doubtless. But first we must have the truth. This is the predicament of democracy.

Let us illustrate this concretely. Let us assume that a department of a democratic government - the department of agriculture, for example, - proposes a plan of action primarily economic in character. The plan has been devised by experts, economic experts. Let us assume, moreover, that economics is a science. At least the economists assert that it is. But if there be a fund of economic truth universally agreed upon, accepted by every student of economics, this fund consists of very abstract principles. Here I appeal to fact: is it not highly probable that the plan of the department, devised by economic experts, will be judged by other experts to be economically unsound? To be erroneous? To be false, in short? To be unscientific? The experience of recent years points to the high probability of this disagreement. Nevertheless, the department proposes to use its power and influence in the pursuit of its plan.

Given this, let us examine the situation, with philosophical detachment, from the standpoint of the democratic principle as represented by a governmental agency and then as represented by the citizen. The government has proposed this plan. But democracy as a principle implies that governmental agencies are guided by reason. Opponent experts, however, declare that its proposals are irrational. The democratic principle demands that governmental action shall proceed upon the basis of truth: but whether its proposed action is based upon truth is precisely what is doubtful. The authority of the department is identical with, and extends no farther than the truth of the ideas which determine the character of its action. But reasonable men, by hypothesis, differ profoundly concerning the truth of the ideas advocated. Once more, there may be economic science: but economic scientists violently disagree as to the scientific validity of the proposed ideas. If the governmental agency demand allegiance to its plan, it incurs the risk of demanding allegiance to falsity. If the governmental agency appeal to the moral ideal back of its plans, then, if this ideal be reasonably questionable, the agency runs the risk of demanding support for an immoral end. It, in fact, runs the risk of being an instrument of Satan when it desires to be an agency of God. Now these uncertainties are inescapable. There they are. But action is necessary. To deny, to neglect, the uncertainty; to assert the soundness of its plan, the truth of its ideas, to be indifferent towards disagreement; to demand obedience with ruthless disregard of the rational uncertainties of the situation: this is precisely the act of dictatorship. Nevertheless, action is necessary,

Let us now turn to the citizen, to the voter. In a democracy, citizenship is defined by the rational nature of man. The final authority lies within this rational nature. Loyalty is loyalty, not to governmental agency, but to truth. The proposals of the department may be agreeable or disagreeable to the individual; but this is irrelevant. The economic plan may favor an individual citizen's self-interests or it may endanger them: but the one is as irrelevant as the other, if the citizen is to act as a citizen, as a servant of truth, not as an animal. The economic plan offered for his consideration is offered for the consideration of reason; its merits or demerits are not questions of passion, of prejudice, of class

or personal interest, of animal well-being or of animal suffering - the merits or demerits are questions of rational coherence, of scientific adequacy. When my illness is diagnosed as appendicitis, my dislike of an operation, my preference for an automobile rather than an operation as a monetary outlay, are irrelevant. The problem is wholly one of ascertaining the truth and of acting in terms of the guidance of truth. The department seeks the allegiance of the citizen to its plan. But this allegiance can be given, if the citizen be truly democratic, only if and when he can verify for himself the rational coherence, the scientific validity, and even the moral worth of the ideas and ideals involved. But the citizen, however rational in principle, is in fact an unholy mixture of ignorance and learning, of falsity and error, of prejudice and ideal attitude, of subjective self-interest and objective detachment, of sin and of virtue, of egoism and altruism, of pride and humility. How can appeal be made to such a creature? The most knowing individual is but a little more knowing than the most ignorant; the most rational is rational in only a few more occasions than the most stupid. Even the men of special training, our economic experts and scientists, are in disagreement: the press makes this clear. If experts cannot agree, is it not futile to appeal to the examination of the proposals by the citizenry? Is not each citizen, in his individuality, analogous to the patient concerning whom medical experts disagree? How can he rationally adopt a curative procedure when the medical scientists advocate opponent procedures? If one physician straps me to the operating table, with complete indifference to opponent medical opinion and to my will, is not his act an act of brutal pseudo-authority? Is he not assuming a power over me that he cannot justify? But on the other hand, the fact is that I am ill, and action is imperative. Is it not folly to reject all advice, on the grounds that death is sooner or later inevitable anyhow? Would it not be more sensible to toss a coin, and on this basis choose between opponent recommendations? Would it not be better to toss a coin in order to decide whether I shall give allegiance to the proposals of the department's experts, or to the proposals of those other experts who insist upon the unscientific nature of the departmental program?

One conclusion emerges unmistakably. The democratic principle itself gives rise to these difficulties. The effort to realize the principle of democracy, in the state organization and in the individual, is the most hazardous of all enterprises. Of all forms of government, it is in practice and of necessity the most dangerous, perplexing, uncertain, and adventurous. The adventure of humanity, as distinguished from the mere life of animals on this planet as biologically conceived, is precisely the discovery and the establishment of the rational life. The cynic might well ask: how is it possible to hope that an animal organism may attain a rational existence? If man were only a reason, and not in addition an animal; if the world were only light without darkness: then indeed, man would lead a rational life, and the action of citizen and of governmental agency would at every moment be a symbolic expression of truth. The tormenting fact is that any human animal should ever have entertained an ideal so extravagantly remote. Even for the animals, mere existence is hazardous enough: paradoxically, man, or at least some men, insist on adding the apparently impossible to the maximally difficult! It would require literary genius to express with sufficient vividness the predicament of democracy.



Can we not escape the hazards of democracy? Today many people seem to think that we can: and dictatorship, in a word, is the favored answer. You will recall that Huckleberry Finn escaped his moral dilemma: unable to find a rational solution to his perplexity, he adopted arbitrarily a mode of action independently of its rational sufficiency or insufficiency. He foreswore crab apples, thus compensating by a minor sacrifice for inflicting upon others the sacrifice of chickens and truck gardens. Correspondingly, to pursue our illustration, why should not the governmental department, pleading emergency, with indifference to the divided councils of the economic experts, demand the adoption of its plans? Is this not precisely the method of dictatorship? Does it not express the nature of dictatorship? But does not dictatorship at least get things done? If the department wait upon the determination of scientific certainty, if the department wait upon intellectual mastery by the citizenry of its proposals, then nothing will get done, and the citizenry, like the patient who dies before the medical experts can agree, will attain chaos before remedial action can be taken.

In a dictatorship, everything is so much easier. A system of ideas is adopted, and an elaborate apologetic for them is propounded. Certain ideals are proclaimed, and the dictatorial power announces its subservience to those ideals. In terms of these ideals, duties and responsibilities, privileges and rights, economic interests and activities, are determined. The places of Jones and Smith are defined. The supreme duty of Jones and Smith is obedience, unquestioning loyalty, the loyalty of a jackass. The intellectual citizen is charged with the intellectual defense of the system of ideas; and the ordinary man is charged with the establishment and defense of the institutions embodying the system of ideas. But significantly enough, no one is charged with the rational exploration and criticism of the system; no problem exists of ascertaining the truth or the falsity, the validity or invalidity, of the ideas and ideals of the dictatorship. It is of the very essence of dictatorship that it cannot permit the rational investigation of itself. For, if it does this, it declares that its principle, its ideas, are merely claims to truth, not proved truths, and are to be continued, to be altered, or to be rejected in accordance with the critical findings of reason. But this means that a dictatorship jeopardizes itself. It signifies that the dictatorship admits the derivation of its authority from something higher. But such an admission is a contradiction in terms. A dictatorship, refusing the rational critical examination of its own authority, thereby proclaims the irrelevance of reason, the irrelevance of truth and falsity; it asserts that it is either superrational or antirational or non-rational. If a dictatorship admit that it is subject to rational inquiry, it is not a dictatorship at all: it is a democracy, and its program is a democratic program, subject to all the hazards of democracy.

May I now express the hope that some of the uncertainties, aroused in the beginning of this discussion, have been dispelled? Philosophy can perform no higher function than that of stating with clarity the principles upon which thought and action are based - indeed, this is decisively the peculiar task of philosophy. Such clarity is the first condition of effective action. If some light has been thrown upon the nature of the democratic principle, then, I insist, we can perceive more clearly the central theme of the American tradition. The democratic principle, in my conviction, defines



essential element in this tradition. However inchoate and complex this American tradition may be, it possesses a basic unity; this unity derives from the democratic principle. In the measure in which we comprehend, and can secure popular comprehension of this principle, in that degree we can effectively perpetuate and develop American democracy. There is, I should urge, nothing wrong about the democratic principle. There is, however, a great deal wrong about our popular interpretations of that principle. American life can show a dependable continuity, and action can be effectively implemented, if we were to make efforts to comprehend the principle rather than do lip service to phrases. Activity, let us remember, implies an act of faith, for action is an expression of will. Reason cannot have a faith. Reason knows or it does not know; it appraises evidence as sufficient or as insufficient. The will, implying an act of faith, is a rational will when its faith is based upon a rational assimilation of a principle. Now the faith of democracy is a faith in the ultimate significance of reason in man and in the world. Democratic faith is a belief in the rational life. It is a conviction that allegiance to truth, in the individual and in society, is the supreme law of action. Ye shall know the truth and the truth shall make you free. But to this democracy must add: only by knowing the truth can freedom be secured. Every opponent position is a denial of the dignity of man. Every opposed doctrine rests upon an illusion and is an immeasurable heresy.

There is here no possibility of compromise. No one can be faithful to the American tradition and choose dictatorship. In the light of the democratic principle, the alleged efficiency of dictatorship is an illusion. Democracy is hesitant, uncertain, incredibly perilous. Every proposal to action is conditioned. At every moment those who seek to live democratically must assert: if this be true, then this proposal embodies the very principle of humanity, the good life is thereby advanced, and we are free. Democracy is therefore supremely adventurous. But there is one certainty within this adventure: negatively we know at least this, that only in this adventure is there any freedom, is there any good. The promises of dictatorship are illusory. In the end, the perils of dictatorship outweigh those of democracy, with all of the latter's tentatives and hesitations. The advantages of dictatorship are from top to bottom advantages for the animal that walks like a man but not for man. Dictatorship gets things done. For all I know, it may fill bellies, quench thirst, abolish poverty more quickly than democracy can hope to accomplish. But dictatorship does this by denying the finality, the absolute dignity of the human individual in that which defines his humanity - his worth as an animal that transcends animality because this animal is possessed of the power to distinguish the true from the false.

Democracy must be true to itself. The democratic principle, we must acknowledge, gives no assurance whatever of a life of ease. The predicament, born of the fact that our command of truth is less than the needs of action require, cannot be conjured into nothingness. It will persist. Democracy will always face the question: is this true? But why should this cause us anxiety? If we do not ask this question; if the will's loyalty to reason is rejected: then indeed all life becomes a paradox, for we have the monstrous picture of man deliberately choosing a life that is animal and not human at all.

After all, there exists in the world a theoretical enterprise which is quite analogous to the enterprise of democracy. In the end, the enterprises are identical. Let us consider the predicament of science. What does science present to our eyes: an incredible array of conflicting hypotheses, tentative solutions, opponent doctrines, a long procession of ideas. Every day science solves a problem, only to discover that two problems now exist where one existed yesterday. It is a remarkable and comforting fact that scientists do not despair. Confident of the ultimate integrity of their aims and principles, they are stubborn in their faith. Moreover, a most puzzling fact emerges: despite the coming and going of hypotheses, the applications of science continue unceasingly. The theoretical uncertainties of science, and the predicaments of inquiry that arise therefrom, do not bring the effort of science to an end. Reason, so runs the democratic principle, alone defines the equality of man, and the rational life alone can express human brotherhood. Is it not clear that the cooperative activity of science proves the point? It is intelligible to speak of French manners, passions, likes, and dislikes; and of German, of Russian, or American manners and passions. But it is nonsense to speak of French or German or American science. There is only science - the ideal of science and the cooperative pursuit of science - whether it be pursued by a Chinaman or a Frenchman, a man with blue eyes or a man with brown eyes. Science, in the sense in which I use the term, is the theoretical life of reason; and democracy is the practical life of reason. A scientist who does not seek the truth is no scientist, but a traitor. A democratic man who is indifferent to the guidance of truth is no democratic man; he is indeed not a man at all, but a biologically curious animal, in some ways unlike a jackass, but in other ways quite similar to the jackass. When the scientists despair; when they, like Pontius Pilate, wash their hands; when they urge the closure of observatory and laboratory, of library and university; then, indeed, we should despair of democracy. We should say that the adventure of democracy is too exacting. We should seek a dictator. Nebuchadnezzar, who went out and ate grass, would do very well.

May I now bring this discussion to a close by focusing its ideas upon the problems of your immediate interest? The department of agriculture in its way must face the predicament of democracy. It refuses to assume the principle of dictatorship. Its task is that of carrying out the democratic principle within the field of its responsibility, the agricultural life in America.

Here the apparent efficiency of dictatorship confronts us. How simple would be the task of the department were it to assume dictatorial privileges. It might then define a program: the problem would then be merely administrative - the issuing of orders and the securing of obedience. The wishes and the convictions of the farmer would be irrelevant. The department would define his good for him: whether he happens to like this good or not would be meaningless. Children do not regard castor oil as a good, but we make them take it. Why should not the farmer be treated in the same fashion? It would be so simple to prepare a handbook containing an agricultural gospel. We might try to persuade the farmer to accept it; but in any case, whether he accepts it or not, we could force him to act as if he did take it as his gospel.



For better or for worse, this cannot be the method of democracy. Democracy in action means cooperation, the cooperation of rational men in a rational enterprise where truth and the search for truth are the basis of action. To minimize the inherent difficulties is foolish. The so-called individualism of the American farmer is a manifestation of the ultimate principle of democracy, however unenlightened may be many of its expressions. Coercion, in terms of the democratic principle, is a denial of a man's nature as a man. The farmer's demand for enlightenment, for rational comprehension, as a precondition of cooperation, is profoundly justified.

It is then clear that the department of agriculture must recognize that its duty implies more than information concerning fertilizers and the technique of agriculture. Its aim must not be the advancement of agriculture merely as agriculture, but rather the advancement of the agricultural life. A university administration that thinks of the professor solely in terms of his presence in a classroom at stated hours is an incredibly stupid administration. To think of the farmer merely in connection with fertilizers, machinery, and crop prices is a similar stupidity. These things are important, of course. Presumably, however, life is something more than subsistence. Secretary Wallace has somewhere said that the American farmer had been in danger of becoming a peasant. The farmer, like every one else, must live. But it is equally important, to adapt a famous sentence of Aristotle, that the farmer shall not merely live, but shall live well. The creative problem, the democratic problem of agriculture, is that of making the agricultural life a liberal life rather than a mere means of subsistence. The problem, however, can be solved, with fidelity to the democratic principle, only in and through cooperative effort.

It is now obvious why the department of agriculture cannot escape a fundamental concern for the education of those who would live the agricultural life. I believe Secretary Wallace has in mind the fact that, over long ages, the farming mode of existence has been associated with the thought of a life that is culturally backward. It is said that the worship of the pagan religions in the ancient world lingered in remote country districts centuries after Christianity had become the official religion of the state. The Capitoline gods were worshipped in the remote fastnesses of the Appenines long after these gods were objects of mockery by children in the streets of Rome. For this very reason these religions were called "pagan"; they were the religions of the pagani, the country rustics, the unenlightened peasantry remote from cultural advantages and advances. If I interpret aright the spirit of the department of agriculture, then we can say that the department is denying the necessity of this old association of ideas. The department's aim is indeed the promotion of the technique of agriculture; it must seek as a cooperative governmental function to assure the economic well-being of the farmer. But beyond all this, it must seek cooperatively to make the agricultural life a cultural life as well. Indeed, the department can function with greater success as a cooperative bureau only if the country dweller can attain a more enlightened attitude. The task of the department, obviously, is merely a special case of the task of every organ of a democratic government. In the deepest sense of the word, the ultimate hope lies in education.

In ways immediate and in ways remote, in ways direct and in ways indirect, if I correctly understand the situation, the department intends to

promote this educational process. Let us see just what this means. It means, first of all, that the applications of natural and economic science are insufficient. The development of agricultural life is indeed a problem of applied economics and agricultural natural science; but it is equally a problem for the social sciences as well. This, however, is still too little. I boldly add this startling assertion: the agricultural life is above all a problem of philosophical science. For three centuries, the physical sciences and philosophy operated apart from one another: it is only in recent years that the two have fruitfully come together again. There is grave danger that this separation will occur with respect to the social sciences and philosophy. But the enlightenment of philosophy is as important for the social sciences as for the physical sciences. It may seem to you crack-brained to plead for a philosophical education for the American farmer. Well, the Christian precept that we should love our enemies is about as strange a demand as the human mind could contemplate - nevertheless, we accept the precept and at least do lip service to it. Rational enlightenment, I repeat for the hundredth time, is the sole hope of democracy; indeed, such enlightenment is democracy. Once more I follow St. Paul: Ye shall know the truth and the truth shall make you free. The physical sciences and the social sciences are indeed searchings for truth. But so is philosophy. The problems of human life are economic, physical, chemical, biological, social - this is true. But these problems are also philosophical. How can we utilize the sciences in the building of a society unless we can define, not merely what society is, but what it ought to be? How can we employ science in the interests of democracy unless we know what democracy means? The ultimate social question is this: what society of rational beings should rational beings demand? But this is an ethical and philosophical question. A democratic society cannot flourish without science; but even with science, it cannot flourish without philosophy. Touchstone, in As You Like It, asks the shepherd: Hast any philosophy within thee, shepherd? Touchstone, if I recall aright, insisted that, if the shepherd has no philosophy, he is damned. Touchstone was profoundly correct: without philosophy, without the highest efforts of mind, shepherds, and indeed all men, are damned.



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MARKETING, PRICE AND PRODUCTION PROGRAMS FOR AGRICULTURE\*

By John D. Black  
Professor, Department of Agricultural Economics  
Harvard University

I am going to take the liberty of expanding the subject of today's discussion as outlined by including a certain amount of discussion of marketing adjustments. I am doing this partly because I omitted it on the first day, and numerous questions have been asked about it since, and partly because price and production policies cannot be analyzed thoroughly without being related to marketing adjustments.

In the evolution of the present agricultural program, marketing adjustment came first. It was the approach advocated in the Coolidge administration. The McNary-Haugen plan represented much more a marketing than a production approach. At least, it was concerned with disposing of the crop after it was produced rather than with controlling its production. You will remember that it irritated the McNary-Haugenites to talk about the production implications of their program.

The first procedures actually adopted by the Federal Government for dealing with the agricultural problem were almost solely marketing in nature. I am referring to those outlined in the Agricultural Marketing Act and administered by the Federal Farm Board. The three lines of action which the Agricultural Marketing Act prescribed were the development of farmer-owned and farmer-controlled marketing systems, the setting up of stabilization corporations to promote orderly marketing, and the granting of liberal credit to facilitate these other two. This act did talk about orderly production; but it made no provision for accomplishing it.

The Farm Board's experience was so disastrous that it had the effect of turning the public away from the marketing approach and toward production adjustments. At the end even the Farm Board itself came out strongly in favor of production control. The original bill introduced by the new administration in January 1933 was wholly production adjustment; but the act finally secured in May had three brief paragraphs, very crudely drawn, dealing with marketing. These were the paragraphs providing that the Secretary of Agriculture could enter into marketing agreements with processors or handlers, and associations of producers; that licenses

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could be used if necessary to effectuate the declared purposes of the act, and that the records of processors and handlers were to be made available if needed for the administration of the foregoing.

This represents a different approach to the solution of the marketing problem from that outlined in the Agricultural Marketing Act. It is much like the approach outlined in the National Recovery Act. It was, in fact, suggested by Mr. George Peek, the close business associate of General Hugh Johnson. No one had had time to think through all the implications of this use of marketing agreements and licenses. There was limited understanding as to how these devices were to be applied. In consequence, these features of the act have been responsible for the major part of the difficulties experienced by the Agricultural Adjustment Administration. (Its experiences with marketing agreements are discussed in two of the six books in process of being published by the Brookings Institution dealing with the activities of the AAA. The first of these, "The Dairy Industry Under the AAA" has already been published. Dr. Nourse's forthcoming book deals with the application of marketing agreements to other commodities and will be published within a week or two.) The amendments passed in the 1934 and 1935 Congresses consist in large part of an expansion and elaboration of these original three sections of the act dealing with marketing adjustments. In the present form of the act, licenses have been omitted in name and orders have been substituted therefor. The original sections did not mention price fixing. The AAA introduced price fixing as "necessary to effectuate the declared purposes of the act." Many of the courts, however, refused to accept this interpretation and raised serious objections thereto. The present act now definitely specifies price fixing in the case of milk; but the courts have yet to say that the prices even of milk can be fixed. Also they must pass upon the question whether orders imposing requirements upon the minority elements in the market do not constitute a violation of due process of law. The legal status of the whole marketing adjustment procedure is therefore still uncertain.

My own judgment is that price fixing is not necessary to marketing adjustment and probably not even desirable. As to the use of orders, unless the agencies operating in a market can get together on a voluntary basis and work out an operating plan for a market which all but a few will accept as reasonable, no marketing agreement should be undertaken. Such agreements must proscribe unfair and nonsocial forms of competition while still permitting the kind of competition that lowers prices and margins.

I am not advocating marketing agreements as a sole approach or even as the best approach to the solution of distribution problems. They are not likely to go very far in the direction needed unless much else can be combined with them. Moreover, they need to be carefully guarded or they may lead to the same kind of results that made the NRA program so reprehensible. If marketing agreement set-ups are to be helpful, they must be subject to significant measures of public control. Merely having the Secretary of Agriculture as a third party to these agreements will not be enough unless the Secretary takes his duties seriously and develops a staff that will provide him and the

administrative boards set up under these agreements with all the facts concerning conditions and developments in the markets which are necessary for their wise conduct.

The real problem in marketing adjustment is to secure a fuller use of plant, equipment, and personnel now commonly being used far under capacity, and to eliminate various wastes of duplication. These conditions have arisen through the working out of the processes of competition in this field. One can make a rough classification of competition into two categories, fair and unfair. The latter has frequently been called "chiseling" in recent years. If in a certain milk shed one distributor is able to deliver milk more cheaply than his competitors because of having developed more efficient methods or of lowering his costs in other ways, and wishes to expand his volume of business by lowering his prices, the public interest requires that he be allowed to do so. There is nothing about price cutting in such a situation which can properly be called unfair. On the other hand, if one of the competitors makes secret price concessions to certain individuals strategically placed, bribes milk-wagon drivers to desert their former employers and bring patrons on their routes with them, or misrepresents the quality of the goods which he is selling, then serious question may be raised as to whether or not he is not engaging in unfair competition. This type of competition can easily be nonsocial. It has frequently been employed by new entrants into a market as a way of acquiring necessary volume of business. It is the universal experience that once such entrants have acquired the volume which they need, they are as severe in their condemnation of such tactics as anyone else.

However, competition which is clearly fair in the accepted use of that term may also contribute to an undesirable multiplication of marketing agencies. For example, it is not ordinarily very difficult for a fairly intelligent person with a very moderate amount of capital to start a new corner grocery store at a corner where there are already too many, and the procedures which he employs in so doing may be of the kind that are commonly accepted as perfectly fair competition. Take as another example the field of retail distribution of gasoline and oil for motorists: The various competing national distributing companies realize that the volume of their sales depend upon the number of retail outlets which they can establish. They are therefore constantly tempted to hunt round and find a corner where a new filling station can sell enough of their gasoline to meet the expenses of the situation. All the companies are engaged in the same general program of expanding their outlets. The new stations, however, take their business away from the stations already operating. The effects of this are to reduce the margins of the station operators almost to a subsistence level. Under these circumstances, there is a general inclination on the part of all the companies to raise the margins a little. And ways can be found for doing this by easy steps. In the end, the public is paying for the maintenance of many more oil filling stations than it needs or than it would have if it were able to set about and plan the performance of this service deliberately.



Let us make another supposition -- that the competing gasoline distributing companies enter into a general agreement to raise margins for retail operators by an additional cent. Would this make all these operators more prosperous? Yes, for a short time. But within a few years the additional profits would all be absorbed by an increase in the number of filling stations, and the result would simply be that more station operators were grafting their support on the public.

The marketing agreement approach to this problem is only one of several commonly recognized ones. Another, of course, is the cooperative approach. This has made definite headway in this country and abroad, and has already contributed greatly to more efficient marketing in certain lines. All of us are obtaining our citrus fruits at lower prices and in better condition as a result of cooperative activity in that field. Cooperative filling stations have lowered the price of gasoline to many thousands of farmers in the United States. Cooperative grain elevators have commonly developed a larger volume of business than their private competitors and have reduced the cost of this service in consequence. During my whole working life as an economist I have strongly supported the cooperative approach to such problems. I have only commendation for the program of the development of farmer-owned and farmer-controlled cooperative marketing systems. At times, however, the cooperative movement has tended to take on the complexion of monopoly control of prices; and against such tendencies, all good economists have found it necessary to inveigh. With Dr. Nourse, for example, I felt called upon to say that the Federal Farm Board's interpretation of the phrase "marketing system" as used in the Agricultural Marketing Act to mean the development of only one cooperative marketing agency dealing with one commodity in one general area was an incorrect interpretation of that phrase.

Another possible approach to the problem of market adjustment may be putting the marketing of a product on a public-utility basis--such a product as milk, for example. This is now being tried out in a few countries. Under an effective public utility set-up, it would seem necessary to reduce greatly the number of milk distributing agencies in a market. In fact, it might prove necessary to have only one or two in any given section of the city. As we are all aware, even full public performance of certain marketing operations, has proved highly beneficial notably in such operations as grading, inspecting, price quoting, market-news service, and the like. This group of services may possibly be considerably expanded to advantage. It is even possible that situations will arise in which the public may need to take on the whole function of distribution of certain commodities.

No doubt we shall need to rely upon measures of public regulation to obtain certain types of objectives. We may even need to make use of regulation to reduce the number of competing agencies. Several cities are considering proposals to limit the number of wagons delivering milk in any one city block. In fact, some cities may already be using this device. Another approach may be to license only a limited number of agencies, as we do in the case of some forms of carriers.

I recognize that such restriction devices are in danger of being abused and may contribute to the monopoly prices.

The research and extension thus far carried on in the field of marketing has been really helpful; but, after all, helpful only in a small way. It has commonly gone about its problem by trying to make the individual marketing business unit more efficient. This is all right as far as it goes. But if we are really to make large inroads on the wastes of distribution, we must make our attack in terms of marketing systems rather than in terms of individual marketing units. The Agricultural Marketing Act was therefore right when it set forth to remedy the evils of marketing through creating better systems. The cooperative approach frequently takes the form of substituting one system for another.

It may be well to point out here that the making of studies of the costs of distribution is not likely to be very helpful. This may be illustrated by studies of this sort made in the field of milk distribution. If we may judge by experience thus far, almost any such study made anywhere at any time is likely to show that the rank and file of the distributors need all the margins -- they are now receiving in order to stay in business and make a fair profit. I would expect that occasions will arise when margins have been raised recently by a full cent per quart, when the results will show a relatively high level of profits; but this will be the exceptional circumstance; and costs will very soon rise and absorb this new margin. Must we conclude from this that the costs of distributing milk are not too high? Not in the least. Such findings may appear to verify a bit of economic theorizing that is commonly accepted as valid, namely, that costs and prices tend to agree with each other. But not in the form in which that theory is often understood. The significant point is that there is just as much reason to expect costs to rise until they equal margins in the milk business as to expect prices to rise to meet costs. If, as a result of negotiations with the producers or various other strategies, the milk distributors in the city are able to widen the margin between producer and consumer prices by a cent, we can expect that within a very short time, frequently within a year or two, the additional margins will be absorbed in higher unit costs. The higher margins will induce new firms to enter the business. This will take milk off the wagons of existing agencies and cause plant and equipment to be used still more under capacity. Also the higher margins may be absorbed in increased salaries, increased advertising expenditures, and the like.

Dr. Lyon, in his talk of the last hour, has raised the question as to how we are going to know whether prices are too high or not. I think it can be said at this point that we will not be able to determine this by a study of market costs. I think, however, there are other approaches that will throw some light on this question. Moreover, our concern should not be so much with demonstrating that prices and margins are higher than need be as with devising marketing set-ups that will prove more efficient than the existing ones. My suggestion as to procedure for this is the making of surveys of marketing situations in which all the pertinent facts are brought together, and on the basis of these, improved or "ideal" set-ups are designed in which plant, equipment and personnel are



used as nearly as possible to full capacity -- not the existing plant, equipment, and personnel, but the particular form or type of plant, equipment, and personnel which will perform the marketing services required at the lowest input per unit of output. The surveys should undertake to compare the efficiency of different possible systems or set-ups and marketing practices. In the case of milk and similar products, the unit in such surveys will be the local market and milkshed. In other cases the unit will be some commodity produced in a certain area and possibly marketed over the whole United States. Undertakings of this sort should ordinarily start with simple products and smaller markets so that the technique of the analysis can be developed gradually. A study somewhat of this pattern has been under way in the Milwaukee market for the past year or two. Unfortunately the resources for carrying it to completion have not been available. Nevertheless, it is going to throw some important light on the possibilities of this type of analysis.

What I have just outlined is "research as a basis for planning" in the field of marketing. From 1918 until 1929, the Division of Land Economics in the Bureau of Agricultural Economics devoted its energies in large part to research aimed at developing an understanding of the problems of land use. Scarcely a move was made in all this period in the direction of using these results in actual undertaking in land use control. Suddenly, in 1933 however, a new administration came on to the scene with definite convictions that such control is desirable. Immediately we began to hear Dr. L. C. Gray talk about "research as a basis for land-use planning." We have been passing through a period of marketing research comparable in many respects to Dr. Gray's earlier program of land use research. We have now come to a point where we need to take the same further step that he has taken.

I hope that in the county program making which the Extension Service is now projecting, a place will presently be made for planning the marketing activities of these counties as well as their production and land use activities. These plans should undertake to devise set-ups for securing the processing and marketing of the dairy and other products of the county -- or perhaps of a group of counties -- in as efficient a manner as possible. However, I hope that county program planning will not take on market planning at the start. It is highly important that such program making be concentrated rather narrowly at the outset.

New plans for any market should include not only the devising of the most efficient set-up, but laying out the steps by which to make the transition from the present set-up to the proposed one. This is half of the plan. Next will come the actual task of bringing about the transition. I realize that this will not be easy. I would suggest as a first step in this the calling together of all the marketing agencies affected and a group of the important public-minded citizens of the community, and giving the proposed plan a thorough discussion, criticism, and overhauling if necessary. The next step would be to single out the strategic point at which to begin the revision of the existing marketing system in the desired direction. In many cases the marketing agencies affected will be glad to sell out their interests for a reasonable consideration. In some cases, the step needing to be taken will meet with opposition

from some one or more agencies. The community must be prepared to recompense adequately any interest that is adversely affected. Full use of publicity should be used in all such undertakings. The community should be kept fully informed as to the plan and take a part in the movement to secure its step-by-step adoption.

What I have described to you is properly called marketing reform. Many have opposed having the AAA engage in such reform activity. They have insisted that marketing agreements be used merely as devices to raise the prices of products by agreement between producer and processor or handler. There is much to indicate that the AAA is now breaking away from this largely emergency point of view with respect to marketing adjustments.

Now let us consider marketing agreement undertakings from the standpoint of price. All such undertakings raise issues of price policies. The simplest agreements undertake merely to regiment shipments to market. They concern themselves merely with moving to market a given quantity of product already produced, with no control of the amount harvested. In this case there is only the price problem of finding what price will move the crop into consumption in an orderly manner. This may not be easy. If the price is set too high at the start of the season, sales will presently become stagnant and the market will wait for the price to break. When it does break, it is likely to break badly. The only element of monopoly involved in such a situation is purely of temporary character. I need not tell you that cooperatives in times past have often erred on the side of setting the price too high in the beginning of the season and paying the penalty later. Many of the state cotton cooperatives came to grief in this way in 1929 and on other occasions. Mr. John Brandt created such a situation when he pegged the price of butter at  $23\frac{1}{2}$  cents in his Government purchasing operations in the fall of 1933.

If the marketing organization, however, undertakes to control the amount harvested, as has been proposed in several cases, another type of monopoly problem is involved. One can figure out in such a case a true monopoly price -- that is, the price which multiplied by volume gives the largest total value for the crop. What this price is depends upon the elasticity of the demand for the product. For a crop whose demand is highly inelastic, a relatively short crop will yield the highest total value. Potatoes fall in this class. Farm products which fall more nearly in the elastic class, like many of our fruits and vegetables, will yield the largest gross return if sold in relatively large volume. In any case, there is a certain volume and price which yields the maximum total value and that price is the monopoly price.

Now I am fully aware that many of the commodities which farmers buy have a strong monopoly element in them. A few of them are sold at almost pure monopoly prices. Economists and the public in general are arriving at a clearer understanding of this problem of monopoly prices. Joan Robinson's book called "Imperfect Competition" has helped us to a better understanding of it. My colleague Dr. Chamberlin's work on "Monopolistic Competition" has been an equally important contribution.



We now recognize that monopoly element is present in much of the structure of industrial prices. Dr. Chamberlin has made clear to us that any intelligent competitor is likely to take account of the steps which his competitors will take in meeting any price lowering move of his; and that if he does this he will frequently find it not in his interest to lower the price, but instead to satisfy himself with a modest share of the market. The outcome in such a situation is that a semimonopoly price results.

I can understand perfectly the point of view of farmers who say that they are as much entitled to monopoly prices as are industrial enterprises, but I cannot go along with them on any program to help them to get monopoly prices also. Why? Because a general system of monopoly prices for all products is impossible. A monopoly procedure will work for a part of the industries in a country to the advantage of these industries only if the others don't practice it also. If more industries go on a monopoly basis, the prices of the goods which they buy rise more and more until presently nothing is left over for the monopolists themselves; and so far as the non-monopolists are concerned, they are left very badly off indeed. It is entirely possible that we have reached such a stage now in this country and that if we go any further in the direction of setting up monopolies, the result will be a further net disadvantage to everybody, including the monopolists. We cannot increase real income by cutting down production.

Accordingly we cannot, in our right minds, go along on a program of setting up a general system of monopoly production and prices for all industry and all agriculture. It is highly important that all classes of society come to understand this, and it becomes the duty of the extension workers of the country to make it clear to the agricultural public.

Therefore our only feasible line of attack of the problem is to eliminate as much monopoly as possible from other industries. I realize that this is difficult and that efforts along this line have not been very effective thus far. I do not think, however, that we have yet made the right kind of attack. The form of attack which I would propose is that we begin at once and spend the next 5 years in an extensive program of research upon the price and production policies of our industries one by one, making the results available to the public for a general discussion as rapidly as they become available. Proceeding in this way, we shall gradually come to understand the forms of action that will be required. I see no escape from some form of public participation in industry price policy. The NRA venture could very well have been helpful in this direction if we had had the necessary information, and if it had been set up with the public point of view clearly in mind. Instead the practice was quite the contrary. The industries were actually allowed to write into the codes under public sanction the very monopoly practices that most needed to be eliminated.

In the same manner any board which the AAA sets up for planning the share of a crop to harvest must have effective public participation in it to protect the public interest. The deliberations of such a board must be based upon a careful assembling, analysis, and presentation of all the pertinent facts about the industry and its price relations.

The producers and the public must be supplied with the same information. Nothing must be figured out in the dark. These are the fundamental principles of a working democracy.

Agricultural producers must come clearly to understand not only that a monopoly price for our products is unthinkable, but that monopoly prices for other products are a vast social evil. Somehow or other they must mobilize in an effective attack upon monopolistic industries. I don't care how savage their attack becomes.

How does the foregoing relate to parity prices? I have never considered parity price as a fixed or absolute goal. I find myself strongly condemning representatives of the AAA who present it as a fixed goal. I am willing to concede the validity of parity income obtained from a combination of benefit payments plus higher prices. I wanted the concept of parity income to be made more specific in the recent amendments. I agree that it was politically impossible to do this. In fact, what happened rather ran in the opposite direction. The amendments probably define parity more nearly as a positive goal than did the original act. A further evolution in the same direction is one of the serious menaces of the AAA program. The AAA officials, I expect, are fully aware of the situation, but hope to be able to work out a reasonable solution as a matter of administration.

Of course the AAA production control program is a monopoly program, a publicly supported monopoly program. In principle, there is no difference between having the United States conspire with a million tobacco growers to reduce the supply and raise prices, and having the "big four" tobacco manufacturers get together and raise the price of cigarettes. But there can be a vast difference in the social objectives of the two procedures and in the actual practice. The Government can exercise control in its case and see that the monopoly prices are moderate and in keeping with social needs.

Nevertheless, I look upon the production and price objectives of the AAA not primarily as reducing supplies and raising prices to a monopoly level; but instead as stabilizing production -- that is, really putting competition in agriculture upon a national basis. The price sought should be one which will keep production on an even keel; that will take care of sudden expansions, of disturbing cyclical fluctuations, of losses of markets and the like.

But this may not be all that is involved in the situation. Agriculture has been drawing upon its resources and not setting up the necessary depreciation reserves. Competition in production has worked out this way in agriculture. We can in principle approve an exercise of a monopoly power by government in the interest of preventing such exploitation of our resources. I would say the same thing for our petroleum and other natural resources.

Providing it is intelligently done, with due regard for permanent social interests, we need not object to having the government conspire with agricultural producers in using up accumulated overstocks of farm



products, in reducing herds to normal proportions, and eliminating various types of production maladjustments, even though this may involve raising prices toward a monopoly level for the time being. Whether this will be clear to the parity level or under it or above it is immaterial. Prices of farm products in 1910-14 may have been at a level that took care of agricultural resources on the rational basis which I have outlined; or that may have been under this level. The price and production policy that the AAA and agriculture should work toward for each product is one that will put the production of it on a stable self-sustaining soil conservation basis.

I do not criticize the framers of the AAA Act for providing for parity prices in the Act. I consider this a necessary bid of strategy. The alternative would have been prices based on "cost of production", which in practice would have been far above parity. We must admit that in designating parity as the upper limit in price enhancement, the Adjustment Act did set a limit to the monopoly level. No system has thus far been set up which places a limit to the level of monopoly prices for steel rails and many other industrial products.

The producers of farm products are apparently largely without any satisfactory guides or standards by which to judge the reasonableness of prices. Any price is accepted as proper no matter how high it is. However, should the price decline below a former level, then agriculturists always consider that "something is rotten in the State of Denmark." Thus they have protested vehemently because the price of tobacco is lower this year than last, even though it was far above parity last year. I have already mentioned a similar situation in the Chicago milk market. A State milk control board set up in Connecticut established a price of  $7\frac{3}{4}$  cents for class 1 milk. (Of course, hauling and other costs had to be subtracted.) To this the board added what it considered to be an acceptable margin for the distributors. The resulting retail price was 14 cents a quart. The chairman of the board figured that thus he would satisfy both the producers and the dealers, and that the consumers would presently come to accept the situation. But no one was satisfied except the dealers. Even the farmers protested. When I asked the chairman how well the farmers were satisfied, his reply was: "The farmers are never satisfied; they always want one more cent per quart."

We must supply our farm people with some reasonable standards or guides in such matters. At the present time I do not think that they even have a conception of monopoly price. Many of them are disposed to ask for prices which are well above the monopoly level, the only effect of which could be to reduce their total income. Even getting them to understand this limitation would be helpful.

In conclusion, I think we must all recognize that we cannot expect to remove the monopoly element wholly from any industry. Such an objective would prove a hopeless aspiration. Moreover, it may be needless to accomplish this. I think, as a society, we have passed out of a condition of pure competition. We must therefore set about developing methods for keeping the monopoly element in price on a

reasonable basis. This principle was recognized in the Capper-Volstead Act passed for the guidance of Government in dealing with agricultural cooperatives as far back as 1922. The principle is there laid down that agricultural producers can enter into agreements with respect to the marketing of farm products so long as they do not unduly enhance the price. We shall have to set up economic agencies that can define for us the meaning and content of the term "unduly" in such a principle of action. This is needed for industry even more than agriculture. If the NRA undertaking had been wisely conceived and developed, it would have been an important contribution to such an end.



A further reason for our loss of foreign markets was the growing competition of Canada, Australia, Argentina, and other countries newer than ourselves, able to draw upon virgin soil resources of free lands such as we no longer have.

Regardless of how it happened, we had the surpluses, and we proceeded to reduce them by curtailing production in 1933-34-35; and we actually did reduce these surpluses. Of course the drought was the major factor in this. But the Agricultural Adjustment Administration programs would have contributed more to reducing these surpluses if the drought had not done the job for us.

Now as to the future of the AAA production programs considered in relation to international trade in our farm products. You have been told repeatedly that unless the necessary foreign markets are opened, our crop acreages must be reduced. Various figures have been presented as to the amount of reduction required. In Secretary Wallace's "America Must Choose" the figures given were 40,000,000 acres of good land or 100,000,000 acres of poor land. In the Secretary's radio speech of the other evening he spoke of "throttling down our 360,000,000 acre plant to one of perhaps 325,000,000 acres." This represents a reduction of only 35,000,000 acres. In the suggested outline of this talk which was first sent me, the reduction indicated was only 21,000,000 acres. In the revised outline, which you have in your hands, the figure is 75,000,000 acres.

I have no disagreement with any one of these figures. We must recognize that all of them must be interpreted as illustrations rather than as estimates. No estimate, even a rough one, can be made, partly because the type of land removed determines the number of acres, but more because the use made of the remaining land is all important. The farming on these acres could easily be intensified enough so that twice 40,000,000 acres would need to be removed to put production on its present restricted export basis. On the other hand, enough land could be converted to feed crops for livestock to reduce the human food output enough so that no reduction in acreage would be required.

The theory of securing reduction in this last way is entirely sound; but I must confess that it has not yet been worked out in a practical program, although very great headway was made in this direction during the past summer in the type-of-farming study program carried on in collaboration between the AAA and the States. I must confess that I incline toward this type of solution of the problem; but it means a change in diets and calls for an increase of income of the working people so that they can buy these better diets. I am hopeful that such an increase in income will gradually occur over the next decade as men return to work and as per capita production increases. The major factor in the increase in consumption of dairy products between 1920 and 1929 was the increase in real incomes of working men. The same trend should set in again. We have here to deal with two parallel trends that might occur: One, a gradual shift of cultivated crop land to grass land, accompanied by an increase in the output of beef and dairy products; the other, an increase in per capita consumption of these products with increasing prosperity. The issue is one of the

relative rate of rise in these two trends. If the former is greater than the latter, a critical situation will arise and prices of livestock products will decline. In this case we may need to resort to temporary measures such as the purchase of surplus of meat and dairy products for distribution among the unemployed and underpaid classes. No doubt we are going to have an unemployed class with us for a long time. In general, I would say that we could properly consider, as a matter of national policy, subsidizing shifts in our diet toward more use of meat and dairy products. We have no right to set forth upon a conservation policy involving such shifts in land use from direct food crops to livestock products without being prepared to take care of the consumption changes involved in the undertaking.

Of course there are possibilities in the way of stimulating increased consumption of these foods through educational programs. I realize the vulnerability of any government undertaking to increase the consumption of one food product at the expense of others. On the other hand, such an undertaking can be justified as a feature of a national conservation policy in the interest of social welfare.

We must not expect as great accomplishments from such an educational program as many enthusiasts will claim. The shifts in consumption to greater use of various fruits and vegetables in the last decade are more to be accounted for in other ways. Commercial advertising has apparently been a minor factor in these shifts. General education has been far more important. The type of procedure which is most helpful is illustrated by the establishment of a habit such as the increased use of orange juice as a breakfast beverage. The most important contribution to the increased use of milk that I can conceive would take the form of providing milk for school children at a very low cost.

We are fortunate in being able to start such a program with relatively small herds of beef cattle on our farms and ranches as a result of the drought in 1934. Dairy herds are still overlarge, but we can expect an appreciable shift of dual-purpose cattle from dairy to beef production as a result of the great disparity in relative prices of the two.

However, there is also some point to the argument that if all the lands were taken out of crops that good land conservation calls for, or changed from crops to woodlot, we would not have many surplus acres in use. The important qualifying circumstance is that the better care now being given to land by putting it into cover crops and legumes and the like will make the remaining acres more productive. This is a probable outcome of present lines of effort.

If the foregoing analysis is correct, we shall still have need of production control to deal with the situation. Otherwise we may have a larger volume of agricultural output than can be sold abroad in excess of domestic consumption.

In figuring out the reduction in acreage required, the best procedure is by individual products. Thus we may conclude that the cotton acreage needs to be reduced from 43,000,000 to 37,000,000 acres. This



will point the way to the types of land and their location that need to be shifted. A similar analysis for wheat and the other crops will make a similar contribution. Out of the results of such analysis by crops and by areas, we can arrive at conclusions as to the magnitude of the effort required and the form which it must take. This procedure is now followed in the research project being carried on in collaboration with the States.

With some of these products the question is not merely one of selling them at low enough prices abroad. Probably only a limited quantity of wheat, pork, lard, and several other products can be sold abroad at any price. Economists used to construct a demand curve for wheat that showed the relation between world price and world quantity, to the general effect that a large United States crop sold for more total income than a small amount. This was because our crop was only a small fraction of the total and any increase of it did not reduce world prices very much. But this curve no longer fits. Instead we must substitute a curve which is largely on a national basis, since only a fairly fixed quota can be disposed of abroad. The curve on a national basis indicates that small wheat crops will sell for more money than large ones.

How long will such control of production be necessary to keep our outlook adjusted to the world market situation? The answer depends upon whether or not we assume that effective efforts are made to speed up the restoration of trade through bilateral treaties and the like. I shall discuss these efforts somewhat later. There are five points to be considered in answering this question.

1. The usual figures on the reduction in our exports since 1930 exaggerate the decrease which has actually occurred, because they are expressed in dollars rather than in terms of physical volume.

2. The droughts of the last 2 years have greatly reduced our exports by making domestic prices high.

3. A decline in general purchasing power has been a major factor in the decline of our foreign trade, the same as in our domestic trade. When there is unemployment and reduction of output of industry in a country, the volume of trade between persons falls off very greatly. People no longer have income with which to buy. This same development has affected trade between countries, nearly all of which are having the same reduction in domestic trade that we are. We will gradually recover the loss of foreign trade due to this cause. This will have less effect on farm products than upon others because consumption of farm products falls off less than others in a period of unemployment. On the other hand, as prosperity returns the well-to-do classes in the United States will buy more freely abroad and travel more freely abroad. They are already doing this. Travel of 1935 appears to be well up to the 1929 level. These are providing more bills of exchange with which Europeans can buy America's farm products.

4. Our cotton loans in 1933-4 and 1934-5 pegged the price of American cotton out of line with world markets and caused us to lose several million bales of export outlet, for the time being.

5. In the whole period from 1920 to the present, the war debt situation has been a retarding influence on American export trade. We have made some headway in reducing the burden of this debt. It should have a lesser retarding effect in the future than in the past.

For all these five reasons we shall have a considerable recovery in our foreign trade in farm products if we do nothing to stimulate it beyond ceasing to peg cotton prices through loans above the market level. Our foreign trade in farm products may easily go back to three-fourths of the 1928-29 level.

In spite of the foregoing circumstances, we can expect the quotas which foreign countries have set up to control their imports, and tariffs and other restrictions, to have a retarding influence on our exports of farm products. These countries are still in the grip of the fear of war, which drives them to maintain their agricultural plants on a self-sufficing basis. Accordingly we shall continue to have need for controlling the production of our farms to keep our export surpluses from being overlarge for a considerable period.

Before, however, we commit ourselves fully to supporting a production control program for these reasons, we should take account of the hazards accompanying such control. Many believe that the AAA production control inevitably leads to more national self-sufficiency. The program has been supported by many of those who believe in national self-sufficiency. This is one of the reasons for the support which it received from former President Henry Harriman of the United States Chamber of Commerce. The publicity department of the AAA issues statements from time to time that are alarming on this score. The devotees of planning make equally alarming statements that it is exceedingly more difficult to plan on the basis of an uncertain foreign outlet. The tendency is therefore to plan for the United States alone. This isn't a wholly new development. Much of the early analyses of the land requirements of the United States made by Drs. O. E. Baker and L. C. Gray tended to assume the United States as a more or less isolated country.

However, national self-sufficiency in agriculture is by no means a necessary outcome of production control. We need only to allow for foreign outlets adequately. I am not particularly interested "in the ever-normal granary" from a domestic standpoint. Considered from a foreign-trade standpoint, it has more to commend it. We must see to it that our annual quotas are large enough to provide the supplies likely to be needed by foreign buyers. There will be no real danger from this score if we do not cut our production too far in order to get unreasonably high prices.

A greater danger arises from the loan program of the AAA. If this takes the form of pegging prices out of line with market conditions, it will dam up farm products back on the farm and keep them from moving through the channels of trade to the export market in their accustomed volume. The AAA has an honorable record in this matter so far as the last cotton loan decision is concerned. I cannot speak so well of it in the case of the two earlier loans. The AAA must fight every demand for price pegging loans as



they arise and establish a sound set of principles of operation in this matter.

Finally, the greatest danger is that Congress will meddle in the matter as it did in the recent amendments of the Adjustment Act. Further efforts will be made in the new Congress. The dairy interests and probably the corn and beef interests are marshalling themselves to force through further legislation for curbing international trade in their products. In the last session of Congress the dairy interests made something of an effort, but did not get far with it because it was not supported by the organized representatives of the dairy interests in Washington. These representatives thought it inadvisable to impose additional tariff duties on dairy products in the face of a phenomenal increase in consumption of oleomargarine that took place as prices of butter rose to 40 cents at retail. But these interests are not willing to let the matter rest at this point. They will first work to secure further restrictions on the consumption of oleomargarine through increasing the internal taxes upon it. They argue on the ground that it is the spread between butter prices and oleomargarine prices that causes the substitution. It is true that this is one factor in the substitution, but not the major one. When and if they get these further restrictions on oleomargarine consumption, they will be ready to ask for higher tariffs on dairy products.

At this point we should consider the provisions for import quotas in section 22 of the recent amendments of the Agricultural Adjustment Act. They are to the effect that in case imports of any farm products under production control increase in such a way as to interfere with the carrying out of the production control programs and the attainment of parity prices, the President of the United States, after due investigation and hearings, can impose import quotas on these products equal to 50 percent of the average imports of 1928-33. I doubt if the AAA wanted this amendment. The AAA officials probably refrained from opposing this provision because they needed the support of its proponents in order to get other amendments passed which they did want.

Why was this legislation supported? Because our farmers have a set of ideas about imports of farm products to the effect that even the slightest import dribble anywhere into any market of any form or kind of the product is detrimental to them. Let such a dribble occur and there will immediately be a yell from somebody. Our tariff duties are made not on a basis of equalizing differences in trade opportunities between countries, but on the basis of absolute exclusion. The effect of small or temporary imports is always exaggerated by producers and traders in the product. Butter serves as an excellent illustration of this. If a cargo of Danish or New Zealand butter appears in our ports, prices are likely to drop a cent or more for the time being. Mr. John Brandt of Land O' Lakes Creameries is then likely to send out a release to the effect that the incomes of all of the butter producers in the United States are lowered by millions in consequence of this importation. As a matter of fact, the total effects are very slight, unless the imports continue. They can be almost completely ignored in the estimates for the year's income from the sale of dairy products. They affect sales only for a day or two and in a few principal markets. Even from the

point of view of producers' incomes, it is better to have butter prices sag occasionally for a few days because of temporary imports than to let prices of butter rise for occasional periods of a week or two to unusually high levels. It has the effect of stabilizing consumption, prices and production; letting the prices soar for short periods when domestic supplies run short has the opposite effect.

The famine prices of last winter are a case in point. It was far better to have such imports of butter and other farm products as occurred than to shut all these out. The prices of most of these products were certainly high enough for the general good of the whole agricultural program. If the system of import quotas provided in section 22 had been in effect, it would have made the prices of some of these products still higher and would have made the present clamor against high prices much more serious. We can expect that the effect of these amendments will be to compel the AAA to make sure of a large-enough carry-over so as to prevent the reoccurrence of such a situation. These larger carry-overs will cost a sum of money greater than would result from higher prices that could temporarily be obtained thereby.

We can conclude this part of our discussion by saying that the international trade aspects of the agricultural adjustment program furnish a foundation for still another set of hazards to its successful continuance.

Even with all these hazards met, there is danger of a loss of foreign outlets for farm products merely because prices of these products are raised in the United States as a result of production restrictions. The higher the prices for any product in this country, the more the incentive that is furnished to our foreign competitors. The equivalent of a 12-cent cotton price in England will furnish a larger stimulus to the expansion of cotton growing in South America, India, and elsewhere, than will an 8-cent price. The devaluation of the dollar has taken care of this situation in part thus far.

Prices of export commodities have risen in terms of gold only insofar as the drought and production control have contributed thereto. If prices can be kept moderate, as was explained yesterday, with benefit payments providing a considerable part of the basis for parity income, the loss of foreign outlets from this cause will not be serious. Moreover, the stabilization of production may actually contribute to lower costs by saving wastes and thus enable us to compete more effectively. It is also of some importance to give our foreign buyers a more certain supply.

Another aspect of this of some importance is that with production control in effect, our research and extension agencies can work vigorously to reduce costs of production so as to enable us to compete with foreign producers. Without such production control in the past, the lowering of costs has frequently threatened to reduce the real incomes of producers. By expanding output and lowering prices there is more than enough to offset the reduced costs. At this point it may be well to make reference to the possibilities of the use of the old "domestic allotment



plan" as first suggested by Dr. Ruml and presented in my "Agricultural Reform in the United States." You will recall that this plan provides for two sets of prices for any product: One for the domestic quota equal to the world price plus the tariff duty, and the other the world level of prices. This plan offers possibilities of providing parity prices for domestic quotas of farm products while leaving producers free to adjust the rest of their production to world market conditions. It must be admitted, however, that the setting up of import quotas by foreign countries in recent years may cause some complications under this form of the allotment scheme: Our producers may easily turn out more goods for export than these quotas will take care of, and fears have been expressed in some quarters that the surpluses thus resulting will upset the domestic market and lower domestic prices, thus reducing the effectiveness of the tariff. Should this prove to be true, the administration might find it necessary to segregate a pool of the commodity for the foreign market and to make it clear to producers that their output in excess of the domestic quotas had to take its chances against the quotas that might be imposed by importing countries.

It is worth noting that the decision of the Supreme Court with regard to processing taxes may take such form as to throw light on the constitutionality of the domestic allotment procedure.

We now come to considering the possibilities of various measures for opening markets for farm products abroad. Two general orders of proposals have been made, those for lowering tariff duties, and those for entering into bilateral treaties with foreign countries. The Commission on International Economic Relations set up by the Social Science Research Council this past year provided for both these approaches in its recommendations. Its proposals with regard to tariff duties were that they be removed in all cases in which no serious addition to unemployment would result, and that if these measures did not prove adequate to increase imports as needed, rates on still other commodities be lowered, with the proviso that the increases in the volume of such goods admitted be subject to control in order to minimize the danger of sudden unemployment. The Commission even went so far as to suggest "the payment under proper safeguards, of a dismissal wage to labor thrown out of employment as a direct consequence of sudden changes in the tariff." These recommendations represent the first clear recognition of the need for safeguarding the interests of those who are affected by the lowering of tariff duties. They are therefore a hopeful sign of change in the times.

In the category of tariffs to be removed because of having no serious effect on unemployment are mentioned the following.

1. Tariffs on noncompetitive products.
2. Ineffective rates.
3. Tariffs exclusively for revenue.
4. Tariffs on goods of which we import almost all of our

domestic consumption.

5. Tariffs on goods requiring types of craftsmanship not developed in the United States.

6. Tariffs on certain minerals of which we have scanty supplies.

7. Tariffs on goods imported only at certain seasons when domestic goods cannot compete effectively with them.

This represents a very considerable list of products so far as names are concerned. The volume is by no means relatively as large. However, it is enough so that an appreciable addition to bills of exchange would result, furnishing the basis for considerable purchases of American farm products.

The manner in which the tariffs on many of the foregoing products arose is of interest in this connection. One of the first tasks of the new Wilson Tariff Commission was developing a classification of imports so as to put the work of customs administration and tariff making upon a more definite basis. It prepared for the task of writing the tariff act of the new republican administration in 1911 by providing the two committees of Congress with this classification, with a blank space after each classification in which could be written any duty that the committees might desire. Many members of these committees believed like Senator McCumber that a little bit of tariff is good for almost any commodity. In consequence, duties were provided for the first time for a very large list of new products. Included in this list was "live bobwhite quail" at a dollar a bird. No doubt many of you are already familiar with the interesting tale of how this became one of the three commodities upon which tariff duties were eventually lowered during the Republican administration under the flexible provisions of the tariff act. One of the others was wooden paintbrush handles.

A significant feature of this list of the Commission on International Relations is the proposal to drop tariffs for revenue only. It would seem that the Commission considered the restoration of foreign trade more important than the revenues derived from this source.

Another section of these recommendations urges the speedy negotiation of reciprocal trade agreements pending downward revision of the tariff. The Commission did not regard these trade agreements as taking the place of downward tariff revision because the effects would be limited only to cases where another country reciprocated. The apparent inconsistency between the principle of reciprocal trade agreements and the principle of most-favored nation-treatment was resolved by the suggestion that the reduced rates included in the reciprocal treaties be accorded uniformly to all countries entering into such agreements.

The Commission also fully recognized that a large percentage of our foreign trade is triangular or even multiangular; that is, for example, that the bills of exchange on the United States that arise from our purchases of Brazilian coffee are purchased in England for use in buying



American products. Such trade situations may limit a number of commodities that can be included in such trade agreements; or they may make necessary agreements between countries entering into agreements with us.

The recommendations of this Commission on International Economic Relations are the most realistic and practical that have been made; but we may doubt if Congress will accept them. There is no party in the United States really favoring the lowering of tariff duties. The making of tariffs has become entirely a log-rolling procedure. Congress has completely broken down as an agency for working out a proper system of tariffs for the United States. It can no longer make a set of tariffs adapted to the general welfare of the country. (This is just another instance of the general decline in the efficacy of parliaments, leading to the growing disrepute in which they are held by publics, and becoming one of the explanations for the growth of Fascism. Parliaments and congresses must devise some way of escape from the thrall of the special interests, if they are to continue to function as the important instrumentalities of government which they were in earlier generations.) Great Britain and Canada have devised a somewhat better technique for working out a set of tariff duties. There the matter is handled essentially in the cabinet, and the party has to stand or fall according to whether or not parliament will support as a whole the tariff bill which the cabinet has written. But even in these countries the special interests are making it exceedingly difficult to devise a set of tariff schedules which represent national welfare.

The line of development which is adapted to our American political tradition is to make use of a commission to perform this function, rather than the cabinet. Unfortunately our own Tariff Commission does not have a good record. It has suffered very greatly from political influences. It is doubtful if the tariff question can ever be taken entirely out of politics. However, it seems to have become largely a matter of conflicting of special interests rather than party interests. It is no longer possible to distinguish between the republican party and the democratic party on most tariff questions. The personnel of the first Tariff Commission created by President Wilson was generally in keeping with the tradition of appointments to commissions. Its personnel was divided between republicans and democrats according to the terms of the act creating the commission, but none of its members were rabid exponents of one tariff policy or another. The worst that can be said is that the republicans that he appointed were moderate protectionists. President Coolidge very nearly wrecked the commission by appointing to it about the staunchest protectionists that he could find and by easing out of the commission the republicans with moderate proclivities toward protection. He even went so far as to make a former secretary of a protectionist association the chairman of the commission. Nevertheless, in spite of all the weaknesses of the present tariff commission, our best hope seems to be to give it more power and to make it a stronger, abler body. Perhaps some further safeguards can be thrown around appointments to it. The recommendation of the Commission on International Relations is to this effect. "We recommend that Congress confer upon the tariff commission the power to change tariff rates subject to congressional veto according to the principle of the amendment to the Hawley-Smoot Tariff Act proposed in 1930 but rejected. The tariff commission will then fix rates according to

such principles as Congress might establish, and the new rate will take effect in 60 days unless rejected by joint resolution of Congress."

Perhaps it should be pointed out that this suggestion represents the same kind of delegation of powers to a commission under rules of action that is represented by the Interstate Commerce Commission. The Congress of the United States, under this arrangement, outlines the general policies that are to be followed and asks a commission to work out their applications.

Before passing final judgment on the merits of these suggestions, we should consider them in contrast with the state trading in which a number of European countries are engaging. Under these procedures a country assigns a certain quota of imports to another country and regulates this quota in terms of goods purchased from it in exchange. This type of dealing has been practiced in war time by nearly all countries in recent years. England is doing it on a considerable scale at present. The minister of agriculture has become a strong advocate of this procedure.

I think most of us will agree that we should go as far as possible along the line of strengthening our tariff commission and allowing it to work out schedules that will permit a more rational system of exchange of our goods with those of other countries. However, what we can expect along this line is still uncertain. It would seem safest also to continue our experiments with reciprocal treaties so that we will know how to use these in case we are forced to rely upon them increasingly. Probably they will prove to have a somewhat limited field of usefulness for the reasons above indicated. Perhaps if I were wiser in this field, I would recognize that promoting trading by lowering tariff barriers, employing the most-favored-nation treatment in so doing, and employing the device of reciprocal trading agreements, are inconsistent with each other. However, I feel somewhat fortified in view of the fact that the Commission on International Relations advocates the two in parallel in case the tariff commission is not given the additional power suggested. Neither am I ready to condemn the use of quotas entirely. The aforesaid report even suggests the use of them, if necessary, to protect industries from too sudden losses in market and consequent unemployment.

Dr. Alonzo Taylor, of the Food Research Institute, in a recent garrulous book appearing under the title "The New Deal and Foreign Trade" concludes his excursion into this field by pinning his faith on a return to private trading over lowered tariff barriers and by indicating that quotas and reciprocal trading agreements are presently to go by the board. I wish that Dr. Taylor were right. I am fearful that he is wrong. At a recent meeting of the Social Science Research Council at which the report of the Commission on International Relations was discussed, Dr. Charles Beard expressed the opinion that its recommendations would have no effect on the trend of developments in legislation and practice in this country and abroad; that the whole trend is in the other direction. Dr. Edmund Day and others present virtually conceded that the trend was likely to be against the recommendations of the report. My good friend, Andrew Cairns, who has been acting as Secretary of the International Wheat Commission in London, in spite of the wholly unsatisfactory experience of



that body, is still firmly convinced that the international trade of the world is going to be conducted increasingly in terms of quotas and the like.

Dr. Beard failed to recognize one important distinction in his discussion of this report. We may argue that foreign trade on a private laissez faire basis has no great future, but that does not mean that we are to have less exchange of goods between countries. In fact, the whole meaning of the trend which he has emphasized may be that only through having trade conducted between nations as units rather than between private firms can we get the volume of it which is to the economic advantage of the nation. There is nothing about the trend named that denies the economic advantage to a nation of the exchange of commodities.

Such a situation does indicate, however, that the rank and file of our citizenry fails to recognize the importance of such international exchange of goods. Even in the matter of internal trade, sectionalism is rampant. Among the cotton textile manufacturers of New England are those who would favor setting up barriers against the movement of southern cotton goods into their territory. Many milk producers in the eastern half of the United States would be entirely willing to develop devices for excluding the milk and cream from competing territories in the Midwest. Some State laws have been passed with this in mind. A number of the State milk-control boards recently created have made moves in this direction. Finally the Supreme Court of the United States, in a memorable decision written by Justice Cardozo, had to speak out boldly in condemnation of all such efforts.

Apparently even the Coolidge republicans recognized the advantage to a nation of free and extensive internal trade. At least, at the time that Morgan and a number of New York financiers came out in favor of a general program of lowering tariff barriers so as to extend international trade, President Coolidge and his associates were able to offer the suggestions that these recommendations would be splendid for the countries of Europe to adopt in view of the network of boundary lines between them and the restrictions upon trade resulting therefrom; but that the United States had no such problem because we were a very large nation with no boundaries between our States interfering with the free exchange of goods.

Here also there would appear to be a job in the field of adult education. Secretary Wallace's "America Must Choose" has the great merit of putting the discussion of this question on a basis that the rank and file of our people can understand. At the present time, no doubt, the best approach to this subject is in the terms which he used, namely, that since our Nation has passed from a debtor to a creditor status, we must readjust our whole international trade pattern and make possible the importation of a large volume of foreign goods. Most economists, however, would prefer to state the case in terms of the advantage of trade between nations the same as of trade within the nation.

Professor Alvin Hansen of the University of Minnesota, who has worked on the problem of international trade relations for the past 2

years; has expressed himself on this problem in somewhat these terms. A system of largely unrestricted trade within a nation and between nations furnishes a basis for a larger prosperity than can be attained in any other way. However, a nation has to be economically intelligent in order to recognize this truth and to be prepared to conduct its affairs accordingly. Sweden, for example, is such a nation, and in consequence of that fact it is relatively better off today than almost any other nation that can be named. The people of the United States, however, are economic illiterates, unable to understand the conditions involved and unwilling to act in their own interests. It is therefore probable that we shall have to proceed along other lines.

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SHALL AGRICULTURAL ADJUSTMENT BE CONTINUED?\*

By John D. Black  
Professor, Department of Agricultural Economics  
Harvard University

The subject given me is stated in the form of a question. I propose to leave it in this form. It will still be in this form at the end of my discussion. It will still be a question for you to answer. No one can answer it for you. All that I can do is help to clarify the issues involved.

The answer depends on which of several possible lines developments under the Agricultural Adjustment Administration take. These lines are greatly divergent but any one of them is possible. Hence the answer can easily be either a definite "yes" or a definite "no."

On one basic question at the outset, however, I do not propose to leave any doubt as to my position. That is the question whether agriculture needs a change in public policy. I am thoroughly satisfied that the time has come when we must do five things for our agriculture, as follows:

1. Call a halt on the wasting of our land resources through erosion and depletion of soil fertility. Individualistic exploitation of our land resources must be checked at the earliest possible date. My growing convictions on this subject have been greatly fortified during the past few years as a result of traveling again over territory which I have known well since my youth, spent in southern Wisconsin.

2. Prevent severe economic depressions, such as those of 1920-21 and the present.

3. Improve the conditions of living in rural districts. This includes housing, health and sanitation, education, and enlightenment--culture in the true conception of this term.

4. Help farm folks to own the farms they operate, and to hold on to them, in case another depression comes.

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\* Talk given at School for Extension Workers, United States Department of Agriculture, Washington, D. C., October 16, 1935.



5. Reduce the tremendous wastes of an inefficient marketing system. Competition has probably worked worse in the field of commodity distribution than anywhere else in our social system.

Now it happens that city folks are interested in almost these same changes for themselves. They have as much to gain in the end from halting the waste of land resources as have farm folks. They suffer more severely from depressions than farm folks -- at least those who are thrown out of work. They need better housing, health and sanitation, and education as much as farm folks do -- that is, the working classes among them. They need help in owning homes and saving them from foreclosure, the same as do farm folks. They suffer from the wastes of marketing as much as farm folks -- that is, all except those who make a living out of these wastes. Hence, there need be no conflict between farm folks and city working folks so far as these several objectives are concerned. All that is needed is a properly coordinated joint program to secure these things for both.

For the third and fourth of these objectives, increased income is helpful -- in fact, almost essential. Increased income is needed for both farm folks and city working folks, but the needs of these two groups for a larger income need not conflict with each other in the end.

There are other objectives of agricultural policy which I consider of somewhat lesser importance. One of these is stabilized agricultural production. Its major significance to me is as a feature of land conservation. So-called orderly marketing I would rate as less, even, of consequence. The wastes of marketing arise in relatively small measure from so-called disorderly marketing. They come instead from duplication of facilities, from using plant equipment and personnel under capacity because of a multiplication of marketing agencies. Between 1910 and 1930 the proportion of our national population engaged in marketing increased 68 percent; the proportion engaged in manufacturing increased 32 percent; the proportion engaged in agriculture declined 7 percent. An examination of the data by occupational classifications indicates that the principal increases took place in retailing lines. The totals indicate that one-sixth of all gainfully employed persons in the United States in 1929 were engaged in marketing activities; not including railway and other transportation. Marketing stood only a slight second to manufacturing in the total picture.

Now what is a continuing agricultural adjustment program likely to contribute to realizing these objectives? The answer depends upon the lines that developments take. Let us assume, first, that the court finds processing taxes constitutional, and likewise the Bankhead and Kerr forms of control. In this case, there is considerable likelihood that these taxes, with their accompanying benefit payments, will become equivalents or counterparts of tariffs on industrial products; also of the tariffs on wool, sugar, flaxseed, and a considerable list of farm products. Congress is already acting rather much on this basis. When tariff bills come up for consideration, almost any group of producers can come to Washington, ask for duties and get them. They are secured



by the process of log rolling. Senator Hiram Johnson of California, often thought of as one of the men in Congress entitled to the designation of statesman, told a group of his fellow Congressmen in 1921 that he was ready to vote for duties on dairy products, wheat, hides, or any other products in which easterners or middle westerners were interested, provided they gave him the tariffs which his people wanted on oranges, lemons, raisins, walnuts, almonds, eggs, and a list of California products. When asked if this was statesmanship, he replied: "No, but it is the way in which tariffs are made." The same procedure began to be applied to the present Adjustment Act when, in January 1933, the dairy and other interests forced dairy products and peanuts into the measure. Later, rye, flax, and grain sorghums were added -- and just recently, potatoes. That great statesman, Senator Borah of Idaho, voted for putting potatoes under the Adjustment Act. He had previously said that he would do so if his producers wanted it.

Thus it turns out that, just as producers get various products included in tariff acts whether or not tariff duties will be of any value or benefit, so commodities are being added to the list of basic products whether or not this will be of any help. Senator McCumber of North Dakota, chairman of the Finance Committee of the Senate in 1921 after Senator Penrose died, expressed it as his opinion on that occasion, that "At least a little bit of a tariff is good for any product."

If developments under the Agricultural Adjustment Act follow this line, the outcome will be fatal to the future of the act and to the whole agricultural adjustment undertaking. New controls will be introduced where they cannot be enforced without exorbitant costs and where they will arouse opposition and resentment that will wreck them and the whole control program. Congress will go from potatoes to apples grown in local orchards and sold in local markets, to spinach and to cucumbers; from dairy products to poultry and eggs. If the adjustment program is to be saved, a way of escape from this peril must be devised. Perhaps it can be done.

Possibly it will help if a careful distinction is made between those products which can be helped by tariffs and those which cannot -- illustrated by wool versus cotton. Second, a distinction can be made between those that will be helped by production adjustment and those that will not; and, third, between those that will be helped by marketing adjustments and those that will not. Once this is done, a program can conceivably be devised which is fitted to the individual commodity. We would think very poorly of a doctor who prescribed one treatment to every patient who came to his office. It is equally foolish to talk about one prescription for the evils affecting the production and marketing of all farm products. I am not at all sure that helpful procedures can be devised for many farm products -- at least in the near future; but we must remember that the tariff system has never given us more than partial coverage. If the adjustment program of the AAA gives us coverage for part of the remainder, it cannot properly be condemned because it fails to cover them all.

It thus appears that the AAA needs to make a careful analysis of the problem for each commodity, and the results of such analysis need to be freely discussed among producer groups everywhere.

Another hazard is that the system of processing taxes and benefit payments will spread to other industries. There are many commodities in the industrial groups which cannot be assisted by tariff duties. Agriculturists cannot with propriety argue that any such industry just as much in need of parity prices as are farm products, is not entitled to such treatment.

But, if this treatment is extended to a considerable list of industrial products, there will be little benefit in it for anyone. We will have a situation in which the different groups of producers are each paying tariff or other benefits to enough other groups to take away all the gains for any of them. Perhaps this is the best strategy for getting rid of protective tariffs, but I am fearful of the dangers of such strategy. Secretary Wallace probably has this in mind when he talks of the perils of the processing-tax procedure. In any case, I am sure that a long time will be required for such a strategy to work out to the desired ends, and much evil will result in the meantime.

If the program could be limited to agriculture and to those agricultural products to which it can be applied successfully, one cannot violently object to it so long as the system of protective tariffs continues.

It is true that it will add to the cost of living of the working classes, but it will not add seriously to it if the benefit payments are kept on a reasonable basis. Moreover, such increases in the cost of living as arise from this source will be covered by higher wages gradually.

Moreover, it must be admitted that the AAA program has thus far added relatively little to the cost of living. The increase in prices of foods and clothing is much more largely due to the drought than it is to any reduction in supply which the AAA has accomplished. Another significant factor in the rise in prices in the case of cotton, wheat, and tobacco has, of course, been the devaluation of the dollar. Nevertheless, the opposition to the AAA is blaming it for the rise in the cost of living. On the other hand, the farmers of the country are giving the AAA much more credit for the rise in prices of their products than it is entitled to. It is equally important to realize that, if there had been no drought the AAA would have arranged for larger reductions in acreage, and in consequence would have contributed more to the rise in cost of living than it has. Nevertheless, the increases thus brought about would have been moderate, and I doubt if serious opposition would have arisen from consumers on the basis of any prices that would have resulted from the AAA program as such.



In the last analysis, we must also realize that if agricultural income is to be raised at all -- and even city folks concede the need for such a rise -- it must come about through higher prices, except so far as it can be accomplished by lowered costs. If prices are to be raised, somebody must pay them. Agriculture has long been underpaid, - even in the base years of 1910-14 there probably was a serious mining of our soil resources in progress. The underpayment has not been as much as claimed by extremists, but it has been appreciable. In my judgment, it has been taken out of the land through using up of our soil resources more than out of farm people as such; but the latter has been definitely significant, taking the form of a low scale of living, inadequate housing, insufficient education, and the like. It is in the interest of the whole Nation that these forms of underpayment shall cease, and somebody must pay the cost of this. It is unfortunate if the working classes must contribute to this in considerable part for awhile. Such effects always arise. Agriculture, in its turn, absorbed a large part of the burden of the higher real wages that came to city working men when many wages stayed at their war level, or near it, from 1920 on, while the cost of living in cities was declining with the fall in prices of farm products.

But the real danger is that the program of processing taxes and benefit payments will not be confined to agriculture and to the agricultural products that are in position to utilize this device, and if this danger is realized, the results are likely to be fatal to the continuance of the AAA program on its present basis.

Another important danger is the demand for excessive prices of farm products by the producers thereof. We have vivid evidence of this in the demand this fall from tobacco growers for a continuance of the prices away above parity that were realized a year ago; in the demand of the striking milk producers in the Chicago Milk Shed for \$2.50 per hundredweight for all their milk in the face of the fact that \$1.75 per hundredweight on Class 1 milk only has induced the shipping in of enough additional milk from points far up in Wisconsin to prove a serious menace to the Pure Milk Association and its group of contracting dealers. This subject will be discussed in the third lecture of this series. If, however, the production of all farm products under production control can be kept well up to the 1925-29 levels, with moderate prices in consequence, there will remain a sufficient margin between the prevailing prices and parity to make possible sizable processing taxes and sizable benefit payments that will furnish a promising foundation for the continuance of the adjustment program. Unless the benefit payments can be kept at a fairly high level, not enough will be available in the way of inducement to participate in the program, unless compulsory devices of the Bankhead and Kerr type are resorted to. The original Adjustment Act presents its case in terms of both parity income and parity prices. It is highly desirable that our farm folks be taught to think of it in terms of parity income -- that is, an income raised to parity as a result of a combination of higher prices and benefit payments. There is abundant evidence in the act itself and the discussion of it at the time of its passage that this is what its sponsors and the Congress



really had in mind.

There is much to indicate that the working classes will accept processing taxes if the supplies of farm products are maintained on an adequate level and prices themselves are kept moderate.

Another real danger is the breakdown of compliance and enforcement. We must admit that this feature of the undertaking has not been adequately tested as yet. The drought of the last two summers has saved the necessity for this in the case of the corn and hog and wheat programs. The high prices now being paid for hogs may tend to stimulate a tremendous interest in increasing hog production, and thus furnish compliance a real test. There is also danger of a gradual growth of concealed forms of evasion, such as developed in the case of the eighteenth amendment.

A program such as the foregoing can be conceived as continued indefinitely with the sole objective of raising the income of farm people to a desired level; but other aspects of agricultural policy are fundamentally more important. As the adjustment procedure is now set up, it secures control of production in return for the benefit payments. This fits in with the objective of stabilizing production mentioned above. I am not sure how important such stabilization is of itself. I fear that we have had no real analysis of this as yet. Nevertheless, I am ready to say that production control was useful in 1933-35 in reducing the accumulated stocks of several of our farm products. It has been useful in adjusting our production for the changes in foreign markets for farm products. It will be useful again in similar situations. It will be useful again in preventing the reoccurrence of such situations. It can take care of conditions such as were produced by the introduction of the tractor combine. It might in the future prove extremely helpful in keeping production within bounds in case a successful cotton picker is developed. It may help to level out the corn and hog cycle and the so-called beef-cattle cycle. If these production stabilizations can be obtained in return for benefit payments, this surely is an added gain from the program. From this type of adjustment the working classes will presently benefit because of the wastes of erratic production that are saved and the costs that are reduced. Prices of farm products may indeed be lowered presently in consequence.

On such bases as these, processing taxes can be justified socially. It is as reasonable to argue that the consumers of farm products should help to pay the costs of introducing these improvements into the production of farm products as it is to ask the users of factory products to pay the costs of workmen's compensation insurance. Such taxes can also be justified in the sense that the consumers of each product should pay the producers thereof a reasonable return for their efforts.

But if the program fails for any of the reasons above listed, then all these gains from stabilized production will fail. There is serious danger that the producers will not let the program be worked

out in this way; that they will come to look upon it merely as a private subsidy like tariff duties and will not cooperate as needed to put the program on a definite production stabilization basis.

Finally, I cannot look upon the program as socially justified, in view of the tremendous costs and efforts involved in carrying out so extensive an undertaking, unless we can have, in addition to the better farm incomes already mentioned, plus the stabilization of production just described, the further social gains that will arise from forms of conservation of our land and soil resources that can properly be combined with the whole production adjustment undertaking. In my judgment, production adjustment must lend itself to the task of getting our eroding lands under cover, of substituting soil-maintaining systems of farming for the present soil-depleting systems before it can be fully justified socially.

The AAA has been struggling with this aspect of the program from the beginning -- thus far with little tangible result. Workers in the States have recently been collaborating with it in working out some of the techniques and plans for achieving these soil conservation ends; but will the producers permit such a development? Will they not insist on benefit payments on individual products as with tariffs? They surely have done this so far. They have blocked every effort to amend the Adjustment Act so as to put control of production on an all-farm basis.

Still, I do not consider the case entirely hopeless. Probably the ends desired can be approached by degrees. There is danger in the meantime, however, that the system will get so entrenched on an individual commodity tariff-equivalent basis that it will be as difficult to break down as has been our tariff system once entrenched.

This development is closely related to the other need of the adjustment program -- that is, to adjust production to changing economic conditions. The county, town, and individual-farm quotas have themselves been based in part upon a partly uneconomic distribution of the use of our acres. In its shifts from use to use and product to product, agriculture always lags. Not until 5 or 10 years after farmers in Minnesota could have profited most from growing more corn in the southwest section and more potatoes in the Red River Valley did they make these changes; and, by the time they had made them, in large measure economic conditions had changed so that a reduction in corn and potato acreage was called for. The present quotas, having been based on past production, include all this lag. Any further changes in economic conditions that arise will call for further shifts in production, which will put the present quotas still further out of line with economic distribution of our acres between different crops. Left to itself, no area will keep on producing indefinitely a product in which it no longer has comparative advantage; but most areas will lag in shifting out of such production. It may well take 5 or 10 years to accomplish it. The more usual and more important case arises when not complete abandonment is called for but merely a reduction in the proportion of one crop and an increase in the proportion



of another -- for example, a change to less corn and hogs and to more pasture and beef cattle. There will be the same lag in the adjustments but also the same eventual adjustment.

The production adjustment program must not become an instrument for freezing production according to present quotas with all their old maladjustments in them, plus new ones that will develop.

The States and the extension services have been collaborating with the AAA in analyzing this problem, along with the one of improved land use. They have made remarkable progress in this analysis during the past summer. What is mostly left is the working out of procedures for carrying the conclusions of their studies into effect.

We must not be too impatient about progress along these lines. The first consideration of the Agricultural Adjustment Administration, after all, is to make its controls work on the basis of the present quotas. This in itself is a tremendous undertaking, probably the largest achievement of government in this country in the present generation.

I am still hopeful that the desired ends can be achieved along two lines:

1. Permitting considerable latitude in the reductions under the base acreages called for, and making the benefit payments as nearly equal as possible to the effect of the production cut on incomes. On this basis, a producer will not care whether he cuts his acreage 10, 20, or 25 percent. His income will be about the same in any case. What is more important, those who are producing more of a product than represents comparative advantage for them -- than they would continue to produce indefinitely if there were no quotas -- will choose the larger cuts. If the amounts of the payments are based on average effects on income, the producers who will no longer have comparative advantage on as large an acreage as formerly will be the ones who choose to reduce the most, because they will really gain more from taking the large cuts. On the other hand, those who still have comparative advantage on a large acreage will choose to take the minimum cuts permitted. In this way, production will be adjusted without changing the base quotas. Then at some future time, when bases have got well out of line with production, they can be brought up to date and the process of adjustment can start over again from the new bases.

2. The second procedure is to make the payments according to the new use to which the land taken out of a crop is put; that is, to provide one rate of payment if the land taken out of corn is put into another cultivated crop, another rate of payment if it is put into a broadcast crop, another if it is put into grass, still another if it is put into legumes, and still another if it is put into woodlot. I see no reason why benefit payments cannot be based on the sacrifice in immediate income resulting from the shift; and that sacrifice depends

upon the new use to which the land is put as much as upon the use from which it is taken.

By these two procedures the two major essentials of the production adjustment program -- land use control to secure land conservation, and adaptation to changing comparative advantage -- can be achieved.

What stands in the way of adoption of these two procedures?

1. The opposition of producers' groups who insist upon thinking in terms of tariff benefits or their equivalent on individual products.

2. The opposition of the commodity divisions in the AAA who feel that they must give the producers what they want if their program is to work successfully and easily, and of many of the extension workers who feel the same way for the same reasons.

But this opposition must be broken down. The commodity divisions and the extension workers must themselves take a hand in doing this, for unless it can be done, I doubt if the program is worth continuing. In truth, I would rather see it wiped out than continued without securing the land-conservation controls and the adjustments to changing conditions which I have described. Furthermore, I believe that the public will presently wipe out the undertaking unless these ends can be achieved. There is increasing evidence that even the farmers themselves will rise against the program increasingly unless it provides sufficient freedom in adjustment to enable them to adapt their production to changing economic advantage.

The Extension Service has an important duty to perform in case such provisions as these are arranged. It must work with the individual producers or groups of these in helping them to figure out the shifts advantageous for them to make. The extension workers must struggle to make all producers realize it who will gain by making these shifts. Otherwise, there will be a great lag in adjustment to meet them.

Thus far in my discussion, I have assumed that processing taxes and the Bankhead and Kerr types of control will be continued. Next, let us assume that the latter type of control will be counted out by court decision, as to me seems probable.

Possibly a substitute of the same general order can be devised, but I doubt it. In that case, we must learn to secure control of production without it. Probably this is possible for a majority of farm products at once. Mr. Davis has recently stated that he thinks that the cotton program can be made to work without Bankhead control. If production adjustment cannot be made to work for any program the producers may need to get along without it until such time as they are in the state of mind to work out control on this basis successfully. I have a good deal of sympathy for the idea that, if the producers of any commodity cannot manage to control their production under a system of benefit payments without the penalties of the Bankhead and Kerr type,



they have no right to expect benefit payments. Producers must not ask too much of government. They themselves must make the major contribution to such an undertaking.

Now let us suppose that the processing taxes are declared unconstitutional. This need not be fatal to the production-adjustment program, in spite of what you may read in the newspapers the next morning after such a decision is announced -- in fact, it might prove to be really helpful to the production-adjustment program in the end. Should present processing taxes be declared unconstitutional, the next Congress will need to pass two separate and entirely independent acts, the first to provide for sales taxes, not earmarked for any special use on a selected list of farm products; the other an act outlining a carefully conceived, constructive, national land use control program in the interest of the general social good -- this act providing for the necessary shifts of land from wasteful erosion and soil depletion, from continuous growth of cultivated crops, to provide for continuing soil maintenance. In connection with this latter, all the necessary acreages can be taken out of cotton, wheat, corn, tobacco, and other crops required to stabilize production and secure reasonable prices and farm returns.

We must recognize, however, the real danger that Congress and the producer groups will want the second act merely to reestablish the present benefit payments on an individual commodity basis. The outcome will probably be fatal if this is done -- first, because the program itself is likely to break down, as above explained, if continued on this basis; and second, because the courts are not likely to accept it on this basis. It seems to me that the Extension Service has an important duty to perform, in case processing taxes are ruled out, to help producers to understand the importance of putting the program on a land-use conservation basis. The Congress will not support it on this basis unless the farmers make it clear that they so want it.

As I have already implied, it seems to me probable that an adverse opinion of the courts, if rendered, will be in such terms as to make reestablishing benefit payments on the present basis clearly foolhardy. It may make definite that a clearly national purpose, such as land conservation, may be necessary to sustain any scheme of payments to producers. I hope that it does.

Now if you feel a real danger that the present program will become merely a tariff-equivalent program, with all the hazards associated therewith, you may well conclude that it would be better to take a chance on what Congress will do with a new act and have the courts declare processing taxes invalid. A decision against the taxes might therefore prove entirely desirable in the end. It is therefore a gamble which outcome will prove to be best.

Secretary Wallace is again talking about benefit payments as akin to tariffs. This is good strategy from the standpoint of the nonagricultural public. It is probably good strategy from the standpoint of

securing a decision favorable to processing taxes from the courts. There is sound basis for the argument that the present tax has no different order of effects on production in it than those arising from protective tariffs. However, such discussion of benefit payments as akin to tariffs is unfortunate in that it contributes further to the thinking of the farmers of such payments in terms of tariffs on individual commodities. It has the same effect on Congress also.

The final answer as to whether the AAA should be continued requires considering other possible alternatives. First, land conservation objectives may be approached more directly through the acquisition of erosion lands, through control of grazing, through zoning (if the courts sustain this), through tax abatements, and possibly through the use of easements, but the outlays involved in such an approach will be enormous. Moreover, such a procedure probably will not be effective in keeping down exportable surpluses to reasonable proportions. The acreage remaining in use will be more intensively used, which will require still more land to be taken out of use. Neither will such an approach be specific in the matter of stabilizing production. Nevertheless, it will save in some part, the maintaining of a large control organization, such as required to administer production control on an individual farm basis.

Second, stabilization may be secured by a more vigorous, strongly pointed outlook and adjustment program, following up the work recently carried on in collaboration between the AAA and the States. We can not judge the effectiveness of a new program built on this foundation from our experience with the old outlook program. There always have been adjustments to changing prices and the like. All that we need is a speeding up of these adjustments. Conceivably that can be attained sufficiently through a vigorous outlook and adjustment approach.

Third, the conditions of rural living can be improved greatly by a proper distribution between city and country of the burden of maintaining rural highways, rural schools, hospitals, and rural nursing, rural welfare work, and the like, so that the cities will make proper provision for their own future citizens. As you are aware, the larger cities of the United States are not now maintaining themselves by their own reproductive processes. Without heavy migration from the country, they would at once begin to decline in population. The middle-sized cities will soon fall into the same category. The surplus farm population moving into the cities to fill up their ranks is coming from the rural areas with the lowest standards of living and the poorest education and provision for health. The cities owe it to themselves to reach out and educate these folks and see that they are properly reared.

Of course, additional income is also needed for improving the conditions of rural living. This can come from lowering costs in part, but higher prices are still needed.

Fourth, helping farm people to own farms and keep them from foreclosure can be approached as a credit problem; but even here better incomes will help greatly.



Fifth, preventing economic depressions is not an agricultural adjustment problem. Conceivably production control can be used to reduce farm output at the onset of a depression in the same manner as manufacturing does this; but this is a doubtful move. It will make the effects of the depression still more acute in the cities and probably lead to bread riots and the like. The only justification that one can offer for it is as a device for bringing this problem to a head.

The nature of the depression problem is becoming more evident. We now realize that there are very many factors that enter into business depressions. On the other hand, there are a number of approaches to the analysis of this problem that are converging in the direction of a conclusion that a failure of industrial prices to come down with increasing efficiency in production, as in the period from 1920-29, is one of the major factors. The Brookings Institution has just finished a series of four studies, culminating in Doctor Moulton's "Income and Economic Progress", which leads to this conclusion. A group of my colleagues at Harvard University, approaching the problem from the standpoint of monopolistic competition, are evolving a set of ideas that point in the same direction. Professor Schumpeter's general theory of overexpansion of production of capital goods in periods of expansion points in the same direction. The recent studies of the National Bureau of Economic Research, illustrated by Burns' "Production Trends in the United States since 1870", have similar implications. I do not accept Doctor Moulton's thesis that the self-interest of business men, even in the long run, would cause them to lower prices as efficiency increases, if they only understood what their self-interests really were. I concede that if the great majority of business men could get together and all lower prices on this basis, the self-interest of the group would justify such a procedure; but not the self-interest of most industrial producers acting for themselves alone. It becomes apparent, therefore, if I am right, that we must develop some forms of control that will have the effect of reducing prices at such times. However, the whole trend of thinking in modern industry is in the opposite direction. The NRA codes were a magnificent expression of this tendency in the wrong direction. I am even fearful that the code for the tobacco manufacturers which the Federal Trade Commission has just approved has the same implications. This matter is to be discussed further in the third lecture. In my judgment, this is much more important than any of the other objectives. It represents the most serious of our socioeconomic diseases. If another serious depression comes upon us, we shall simply be forced to keep a dozen of our larger industries going, disposing of the product in any way that we can.

It should now be apparent that other lines of approach to the solution of the agricultural problem are possible. Any person can reasonably believe that these, in the aggregate, are more promising than the AAA program; but at the same time we must recognize that in the past very little along these lines I have just outlined has been accomplished. Can we hope for much more in the near future? Surely not, if the conservatives in the East come into control again, as they did in the period of the Coolidge and Hoover administrations. On the other hand, if the Honorable Frank Lowden had been made President of the United States

in 1921 -- and I consider it one of the major catastrophes in our history that this did not happen -- I think considerable progress in this direction might have been made in the last decade. There are great difficulties in the way of it in any case, especially in the matter of control of depressions. Hence there is much to be said in favor of continuing along present lines, since we have started with them, and joining others with these as rapidly as possible; and possibly in the end they will entirely substitute for the present lines of approach.

You will hear much in the next year of the substitution of export debenture proposals for the present program as being just as effective in raising prices to parity levels, and as calling for much less bureaucracy and the like. The proposals will probably suggest using all of the \$300,000,000 customs receipts of the country as contributions to export debentures. Even conceding that the taxpayers of the country are willing to assume additional tax burdens to take the place of present customs receipts, we must give thought to the circumstance that the export debenture program that does raise prices of domestic quotas to a parity level will have the effect of stimulating production and adding to export surplus.

It should be clear that economic education of producers in such matters is highly necessary, whether present adjustment controls or the alternatives suggested prove to be the future course of action in agricultural policy. The Extension Service of the country must take the lead in this education. Much of this education must be specific and concrete, dealing directly with the problems in hand. In the last analysis, the success of such a program depends upon success in fighting out the battles of agriculture in collaboration with the Johnsons and the Borahs, the Smoots and their kind. We must never forget that the first obligation which these men have is to be reelected. Only by being reelected can they serve their country. They will vote as they think their constituents want them to vote. The job of economic education in agriculture is to get the agricultural folks of the country to thinking broadly and fundamentally in terms of such problems as I have described, so that they will want what is good for them and the country. If this can be done, we need not worry about how Congressmen will vote.

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